

BROMFORD HOUSING ASSOCIATION LIMITED

Financial Statements

for

the year ended 31 March 2016

Co-operative and Community Benefit Society

Registration Number 7106

Homes and Communities Agency

Registration Number 4819

Bromford Housing Association Limited

Financial Statements

For the year ended 31 March 2016

| Contents | Page |
|------------------------------------|-------------|
| General information | 1-2 |
| Board and Strategic report | 3-17 |
| Report of the Independent Auditors | 18-19 |
| Statement of Comprehensive Income | 20 |
| Statement of Financial Position | 21 |
| Statement of Changes in Reserves | 22 |
| Statement of Cash flows | 23 |
| Notes to the Financial Statements | 24-65 |

Bromford Housing Association Limited

General information

For the year ended 31 March 2016

Board Members as at 31 March 2016:

The Board members who served from 1 April 2015 up to the date of approval of these financial statements were as follows:

Two Board meetings took place during the financial year.

| | Position | Appointment Date | Meetings Attended* |
|-----------------------|--|------------------|--------------------|
| Jonathan Simpson-Dent | Chair | 7 April 2015 | 2 out of 2 |
| Oke Eleazu | Vice Chair and Senior Independent Director | 1 April 2015 | 2 out of 2 |
| Andrew Battrum | Executive Director | 1 August 2014 | 2 out of 2 |
| Nick Cummins | Executive Director | 1 April 2015 | 2 out of 2 |
| Philippa Jones | Executive Director | 1 April 2015 | 2 out of 2 |
| Christine Clarke | Independent Non-Executive Director | 1 April 2015 | 2 out of 2 |
| Stephen Dando | Independent Non-Executive Director | 24 November 2015 | 1 out of 1 |

***Meetings attended** reflects the number of Board meetings that were attended by each Board member out of the total number of Board meetings they were eligible to attend.

Retirements during the financial year:

| | Position | Retirement Date | Meetings Attended* |
|---------------------|--|-----------------|--------------------|
| Anthony Crawford | Chair | 7 April 2015 | 0 out of 0 |
| John Barker | Vice Chair / Senior Independent Director | 31 March 2016 | 2 out of 2 |
| Rev. David Lavender | Independent Non-Executive Director | 7 April 2015 | 0 out of 0 |
| Fiona Underwood | Independent Non-Executive Director | 31 March 2016 | 1 out of 2 |

***Meetings attended** reflects the number of Board meetings that were attended by each Board member out of the total number of Board meetings they were eligible to attend.

Appointments post financial year end:

| | Appointment Made | Appointment Date |
|-----------------|------------------------------------|------------------|
| Sally Higham | Independent Non-Executive Director | 1 April 2016 |
| Balvinder Heran | Independent Non-Executive Director | 1 April 2016 |

Company Secretary:

| | Date of Appointment or Retirement |
|------------------|---|
| Philippa Jones | Retired 31 March 2015 |
| Brigid Burbridge | Appointed 1 April 2015 Retired 31 March 2016 |
| Andrew Battrum | Appointed 1 April 2016 Retired 19 July 2016 |
| John Wade | Appointed 19 July 2016 |

Bromford Housing Association Limited

General information

For the year ended 31 March 2016

Advisors:



CHARTERED ACCOUNTANTS
AND BUSINESS ADVISORS

External Auditors:

Beever and Struthers,
St Georges House,
215-219 Chester Road,
Manchester,
M15 4JE.



Business Assurance Provider:

45 Church Street,
Birmingham,
B3 2RT.



Bankers:

Barclays Bank plc,
15 Colmore Row,
Birmingham,
B3 2BH.

Registered office:

Exchange Court
Brabourne Avenue
Wolverhampton Business Park
Wolverhampton
WV10 6AU

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2016

The Board of Bromford Housing Association Limited ('**BHA**') is pleased to present its annual report and financial statements for the year ended 31 March 2016.

Who are we and what do we do?

BHA is a subsidiary of Bromford Housing Group Limited ('**BHG**'). It is a Registered Provider of Social Housing and a Charitable Registered Society under the Co-operative and Community Benefit Societies Act 2014. BHA was formed on 1st April 2015 from the legal amalgamation of Bromford Housing Association Limited (Co-operative and Community Benefit Society Registration number – 31418R) and Fosseyway Housing Association Limited (Co-operative and Community Benefit Society Registration number – 28411R). Together, BHG and its subsidiaries are known as '**Bromford**'.

Bromford is a **business with a social purpose** whose objective is to inspire our customers to be their best.

For over 50 years we've provided customers with **new and affordable homes** and provided a range of **services** aimed at **reducing welfare-dependency** and generating **social value** in **employment, education, health and community safety**.

Our 29,000 properties are home to over 60,000 people and this year an additional 4,400 customers have benefitted from the support services we provide.

BHA's principal activities are to develop and manage affordable homes for sale, rent or shared ownership and also to provide a range of support and employment services.

Our Board – who are they and what do they do?

BHG is the parent company of BHA. Under Bromford's Governance Framework, BHA delegates matters of governance and financial authority to the BHG Board.

The BHG Board's role is to **set and uphold Bromford's strategy and values** and to make sure that **effective leadership** and **sufficient resources** are in place for Bromford to achieve its strategic aims and objectives. The Board monitors and tests **performance** in relation to approved plans and budgets and is also responsible for determining risk appetite, to make sure good governance and decision-making is taking place. It promotes and supports our probity and values and makes sure that there are succession plans for Board members and the senior team. Bromford's day-to-day leadership is delegated to the Chief Executive

Bromford's statement of strategy (published on our website) describes our '**DNA**' (**Fig. 1**). Our DNA is what we stand for and the behaviours, qualities and values that represent what it means to **Be Bromford**.

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2016



Fig. 1 – The Bromford DNA

Board composition, meetings, decisions and delegations

The BHA Board operates as a unitary board, made up of six Non-Executive Directors ('**NEDs**') and three Executive Directors. More information about our Board members can be found in the BHG Annual Report and Accounts.

Non executive directors (NEDs) are recruited for their skills and experience and are appointed for an initial term of three years. Reappointment following the initial term is not automatic and NEDs are required to satisfy continuing independence and performance-related criteria before they are appointed for a second, three-year term. Any term beyond six years is subject to rigorous annual review which takes into account the need to progressively refresh the Board.

NEDs are offered ongoing training, support and access to independent professional advice to enhance their decision-making and help them discharge their duties effectively.

The **time commitment** required from NEDs is currently between 12 and 15 days per annum. The **other significant commitments** of the Chair, Jonathan Simpson-Dent, and NEDs were disclosed to the BHG Board before appointment and are summarised in the BHG Annual Report and Accounts.

Board meetings and attendance.

The BHA Board meet twice a year. Each meeting has a planned agenda which allows enough time to discuss key areas of importance. Input from professional experts and/or external advisors is also sought by the Board when necessary. NEDs also participate in 'experience it' days to keep in touch with the business and our customers.

The **general information** section on page one sets out each current Board member's attendance at Board and committee meetings during the financial year.

Board and Committee Decision-making

An important part of Bromford's internal control framework is making sure that decisions are made by the right people. The Matters Reserved for the BHG Board and its committees are set out in Bromford's **Group Delegations Framework** and **Fig. 2** shows the flow of delegations around Bromford's board, committee and senior management structure.

Bromford Housing Association Limited

**Board and Strategic Report
For the year ended 31 March 2016**

Certain key decisions and matters have been reserved for approval by the BHG Board, with all other matters delegated to BHG Board Committees or the Chief Executive. The BHA Board reserve some matters for itself, such as approving the annual budget and accounts, and delegates all other matters to Board of BHG.

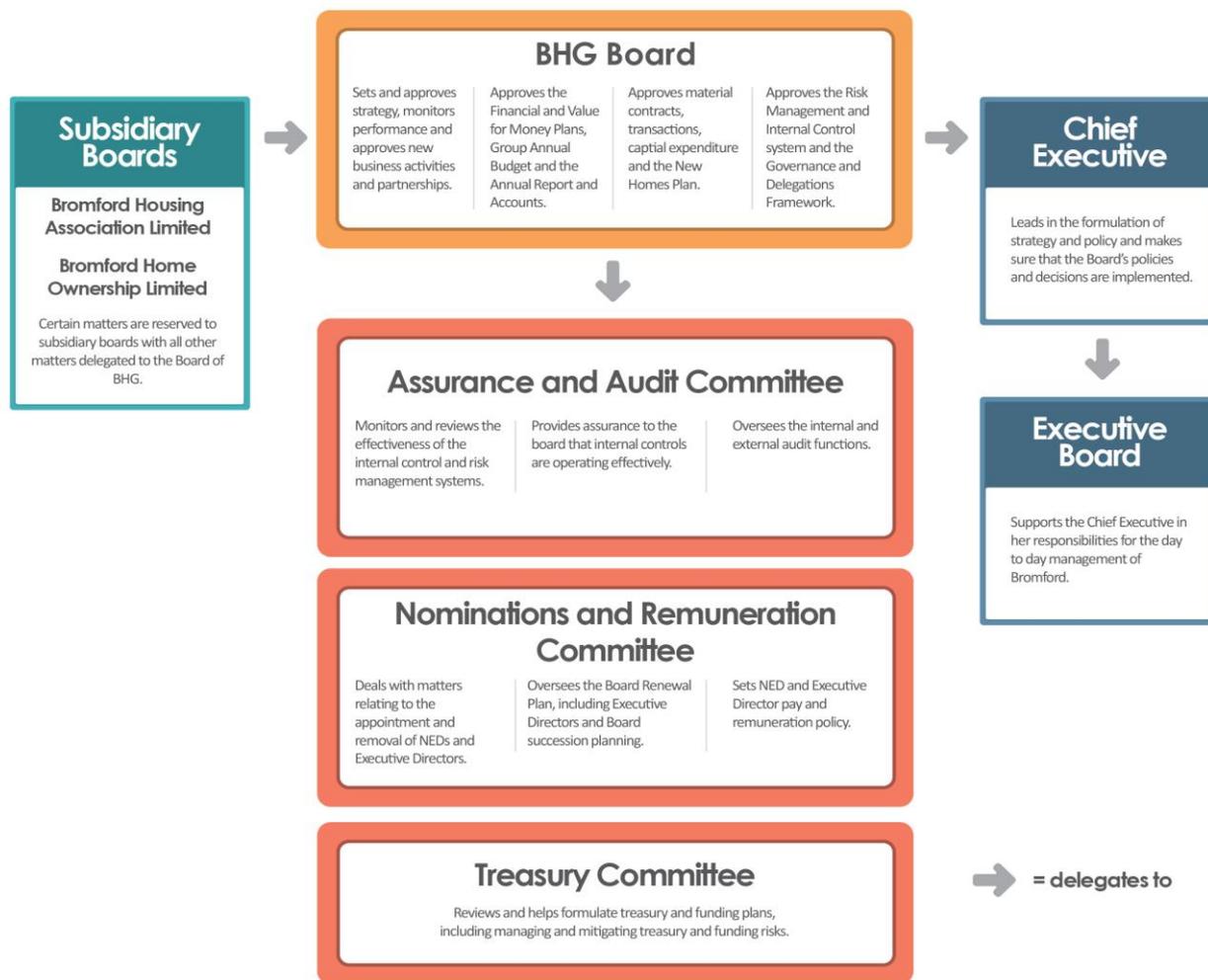


Fig. 2 – The flow of Delegations

The BHG Board has three committees: the Assurance and Audit Committee, the Nominations and Remuneration Committee and the Treasury Committee. The Chief Executive has also established an executive forum which includes the Executive Directors and all Functional Directors. Bromford also has a Customer and Communities Network, which is not part of its formal governance structure but has strong links to the BHG Board and plays an important role in scrutinising service delivery and performance.

More information about the membership and work of the BHG Board Committees can be found in the 'Report of the Board Committees' in the BHG Annual Report. The Committee Terms of Reference can be found on the Bromford website.

Statement of Compliance with our Regulatory Standards

Our regulator, the Homes and Community Agency (HCA), published a revised **Regulatory Framework** and **Regulatory Standards** on 1 April 2015.

The Regulatory Standards comprise **Economic** Standards (Governance and Financial Viability, Value for Money and Rent) and **Consumer** Standards (Tenant Involvement and Empowerment, Home, Tenancy and Neighbourhood and Community). The **objectives** of these regulatory standards are set out in **Fig. 3**.

One of the core Economic standards is **Governance and Financial Viability**. This requires Registered Providers to:

- have effective governance arrangements in place that deliver their aims, objectives and intended outcomes for tenants and potential tenants in an effective, transparent and accountable manner; and
- manage their resources effectively, to make sure their viability is maintained whilst ensuring that social housing assets are not put at undue risk.



Fig. 3 – The objectives of the Regulatory Standards

The HCA requires Registered Providers to assess their compliance with the Governance and Financial Viability standard at least once a year. Bromford’s overall certification of compliance with the Governance and Financial Viability Standard and its accompanying Code of Practice for the year ended 31 March 2016 is contained in the BHG Annual Report and Accounts.

Compliance with our Governance Code (“Comply or Explain”)

Bromford has adopted the UK Corporate Governance Code (the ‘Code’). The Code reflects our commercial outlook, focus on achieving the highest possible standards of accountability and transparency and our desire to position ourselves alongside other high-achieving organisations, regardless of sector.

Bromford’s overall compliance statement with the UK Code is contained in the BHG Annual Report and Accounts and disclosures in compliance with the UK Code have been included in that report, alongside information about the BHG Board’s annual Governance Effectiveness Review.

Openness and Transparency

Bromford believe in being open and transparent – not only because it helps deliver fair, efficient, and effective customer service, but because we believe it should be easy for our customers, colleagues and stakeholders to get the



Fig. 4 – Our Approach to Openness and Transparency

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2016

information they need to make informed judgments about how we operate and use our resources. Bromford's approach to Openness and Transparency is set out in **Fig. 4**.

The 'Open and Transparent' section of the Bromford website contains copies of our key policies and procedures, alongside copies of our Statement of Strategy, Governance Framework, Delegations Framework, Probity Policy and our Value for Money Policy and Self-Assessment. Value for Money is particularly important to us and we want to be transparent about the spending decisions we make, why we have made them and what their impact was. All expenditure over £500 is published each quarter on the Bromford website, alongside statistics and information about what our Board members and colleagues are paid.

An important part of being open and transparent is interacting with our customers, partners and stakeholders in ways which are constructive and meaningful. We want customers to be able to contact us easily and conveniently whenever and wherever they need to and we work hard to remove any barriers to doing this.

Alongside traditional contact methods such as phone and email, we also have a strong social media presence with accounts on Facebook and Twitter. Customers are responding well to the flexibility this offers and the ability to proactively manage their relationship with us in different ways.

We encourage our customers to 'Be Brave' and share their thoughts on the services we provide. The Bromford Lab, a project set up in 2013, is one way customers can get involved in developing what we do. The Lab provides customers with information about the latest projects we have in the pipeline and gives them the opportunity to contribute their own ideas and suggestions. All customer feedback that Bromford receive helps shape our plans for continuous improvement and allows us to deliver the best customer service we can. Performance feedback is reported quarterly on the Bromford website.

Risk Management and Internal Control

Our approach

Bromford's approach to risk is to understand it, so we can take advantage of the upside and minimise the downside. We promote an organisational culture that recognises that no activity is free from risk and we encourage colleagues to be risk aware, not risk averse.

How we manage risk

One of the BHG Board's key responsibilities is to make sure that Bromford has a system of internal controls in place that robustly manage the operational and strategic risks that threaten our business model, future performance, solvency and liquidity. Bromford's risk management process, which was in place throughout 2015/16, is set out in **Fig 5**. Risks are identified in all our business planning processes and in our day to day running of the business.

The BHG Board has delegated authority to the Assurance and Audit Committee (the '**AAC**') to review Bromford's internal control and risk management framework and provide assurance to the BHG Board that it is operating effectively. More information about the role, purpose and activities of the AAC can be found in the 'Report of the Board Committees' in the BHG Annual Report and Accounts.

Board and Strategic Report
For the year ended 31 March 2016

Assurance and Audit Committee ('AAC') considers:

- Risk Reports and the Risk Register at each meeting;
- Internal and External Audit Reports;
- The Wobbly Wheel Register;
- Financial Reporting; Compliance with internal controls;
- Confidential Reporting;
- Probity, fraud, bribery and money-laundering.

Treasury Committee ('TC') considers:

- Treasury Risks;
- Treasury Policy;
- Funding Framework;
- Investment & Liquidity Framework;
- Interest Rate Management Framework.

BHG Board and Chief Executive:

- The Chief executive prepares a horizon scanning report for each Board meeting which links to the Risk Register.
- The BHG Board and the Chief Executive delegate responsibility and authority for risk to the Functional Directors.
- The BHG Board do a formal review of the risk register on an annual basis but board members can consult the risk register at any time.



The Executive Board consider:

- The Risk Register - focusing on the highest scoring risks;
- Performance reports, which includes risk assessment;
- Major Wobbly Wheels and the Wobbly Wheel Register;
- Plans, Policies and other documents, such as the Chief Executive's Scheme of Delegations, the Financial Authorisation Levels in the Financial Standing Orders, the Business Continuity Plan, Draft Regulatory Judgements, Draft Financial Viability Reviews, Data Protection and HR Policies.
- Approvals for disposals, purchases, development, sales and construction;
- Business Planning.

The Functional Directors:

- Manage and report on risks, Wobbly Wheels, internal and external audit recommendations, KPIs, customer feedback, fraud, money laundering and litigation.
- Complete quarterly 'Internal Control Returns'.
- All reports to BHG Board and Committees include a full risk analysis and recommendations.

Fig. 5 – Our risk management process

Risks and uncertainties

The Board believe the principal risks and uncertainties facing Bromford for the future are:

| Risk | Our Response |
|---|---|
| <p>Treasury and liquidity</p> <p>A tightening of the credit markets leading to increased lending costs and/or a reduction in the number of funders accessible to the sector. Pressures on liquidity from counterparty risk, welfare reform and market movements.</p> | <p>We have robust treasury management policies and processes in place, which provide for high levels of liquidity in both cash terms and available property security.</p> <p>Our forecasting processes allow us to plan ahead for a long time horizon.</p> <p>We maintain excellent relationships with funders, valuing their long term commitment to the business</p> <p>Our covenants are comfortably met and robustly stress-tested.</p> <p>We have access to expert treasury advisors who have the right skills and knowledge to support us as we manage our finances.</p> <p>These factors and our overall strong financial position, combine to support us in managing our treasury risks.</p> |
| <p>Affordability and loss of income</p> <p>The potential for a reduction in income as a result of the roll-out of the changes to welfare reform, the implementation of Universal Credit and significantly reduced funding available for supporting people.</p> | <p>We've had a multifaceted response to this which included:</p> <ul style="list-style-type: none"> • Communicating with customers about the impact of the changes • Participating in a Government pilot • Increasing our dedicated colleague resources so colleagues work with customers to deal with the changes • Piloting a new range of services designed to help manage their tenancies and their income • Supporting our customers into work, skills development and volunteering • Stress-testing the impact of higher arrears, bad debts and income reduction on our financial plan and budgets • Reviewing future affordability of our homes and potential changes to how we let them. |
| <p>Impact of increased Right to Buy for Housing Association tenants</p> <p>Implementation policies and the volume of take-up by customers is unclear. Volatility and uncertainty on timing of receipts could impact future income streams and impact future and current customers.</p> | <p>We prepare a revised Business Plan annually, based on our assessment of this risk. This includes reviewing and monitoring our Value for Money targets to make sure we continue to meet our overall strategic objectives.</p> <p>We carry out stress-testing of the Business Plan to assess the potential impact on our business – including looking at securitisation issues, churn on existing charged stock, impact on covenants and reduction in income.</p> <p>We are involved in the National Housing Federation/ Department for Communities and Local Government working group so we can better understand the issues and consider how best to implement Right to Buy in our own stock.</p> |

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2016

In addition, to ensure that we are prepared for the challenges ahead, 2016/17 will see the BHG Board managing the risks around:

- Embedding the Bromford Deal coaching approach in our culture and service delivery
- Restructuring our services under the Bromford Deal on a 'localities basis'
- Driving forward our land-led development programme, supported by our in-house construction team.

Internal Control

The AAC monitors and reviews the effectiveness of the internal control system, conducts an annual effectiveness review and reports the findings to the BHG Board. The system of internal control is designed to manage rather than eliminate risk, to prevent and/or detect fraud and to provide reasonable, but not absolute, assurance against material misstatement or loss.

As part of its annual review process, the AAC considers:

- The Executive annual review of effectiveness of the internal control system;
- The Risk Register
- Reports from our External Auditor
- Reports from our Business Assurance provider
- Internal monitoring reports and key performance indicators
- Reports from the Treasury Committee and treasury controls
- Reviews of statutory and regulatory compliance – including safety compliance
- Financial accounts, budgets, forecast and financial controls;
- Customer and colleague feedback.

Some key elements of Bromford's control framework include:

- Our Governance Framework and Group Delegation Framework, including committee terms of reference, approved by the BHG Board
- Financial Standing Orders
- Strong treasury management, supported by external advisors and experts where necessary
- A clear risk management process (see **Fig. 5**)
- Robust strategic and business planning processes
- A bespoke business assurance programme
- Up to date and innovative recruitment, training and development programmes for colleagues
- Regular and formal reporting to the BHG Board on performance and progress on strategic priorities, targets and outcomes
- Confidential Reporting and Probity policies
- Anti-money laundering and fraud policies and registers.

All Bromford's policies and 'How To' guides are simple, easy to understand and written in 'plain English'. The latest versions of all policies and 'How To' guides are accessible to all colleagues on our colleague intranet.

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2016

Business Assurance and External Audit is an important way the AAC obtains assurance that internal controls are in place and working. At the start of each financial year, Bromford's Business Assurance provider and external auditor work with us to put a work plan in place to review and test the controls in our biggest risk areas, or in areas of strategic importance.

During the year, no significant failings or weaknesses were identified by either our Business Assurance provider or external auditor.

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2016

1. How do we perform financially

| | 15/16 | 14/15 |
|---|------------|-----------|
| Income and Expenditure | £m | £m |
| Core Turnover | 150 | 149 |
| 1st tranche and similar sales | 15 | 11 |
| Turnover | 165 | 160 |
| Operating costs | (89) | (89) |
| Cost of sales | (11) | (8) |
| Operating surplus | 65 | 63 |
| Net interest charge | (26) | (27) |
| Surplus pre disposals | 39 | 36 |
| Gift aid | 6 | 6 |
| Surplus on disposals | 5 | 3 |
| Retained surplus | 50 | 45 |
| Movement in fair value of investments | - | - |
| Movement in fair value of financial instruments | (1) | (11) |
| Movement in fair value of investment properties | - | 1 |
| Surplus before taxation | 49 | 35 |

| | 15/16 | 14/15 |
|--------------------------|--------------|-----------|
| Balance Sheet | £m | £m |
| Housing property at cost | 1,595 | 1,544 |
| Depreciation | (190) | (177) |
| Grant | - | - |
| Net book value | 1,405 | 1,367 |
| Other fixed assets | 24 | 17 |
| Grant liabilities | (430) | (435) |
| Net current assets | 10 | 11 |
| Assets | 1,009 | 960 |

| | | |
|-----------------------------|--------------|-----|
| Reserves | 437 | 383 |
| Pensions | 11 | 15 |
| Other long term liabilities | 51 | 47 |
| Net debt ¹ | 510 | 515 |
| Funding | 1,009 | 960 |

| | | |
|--|-----------|----|
| Operating cash flow | 77 | 76 |
| Cash surplus (operating cash less interest) | 52 | 49 |

| Financial Ratios | 15/16 | 14/15 |
|------------------------------|-------|-------|
| Core operating margin | 42% | 38% |
| EBITDA cover | 3.52 | 3.25 |
| Cash conversion ² | 118% | 121% |
| Net debt/Cash surplus | 10 | 11 |
| Asset gearing ³ | 34% | 35% |
| Gearing ⁴ | 59% | 63% |

1. Net Debt is debt less cash at bank and in hand and investments
2. Cash conversion compares operating surplus to operating cash flow
3. Asset gearing compares net debt to housing property at cost
4. Gearing compares net debt to reserves plus unamortised capital grant

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2016

Our key financial objective has been to maintain and improve our financial strength whilst protecting our liquidity – enabling us to meet our objectives as a business with a social purpose and be in a position to respond to emerging opportunities as they arise.

We continue to focus on two main areas; cost control within a value for money framework and strong cash generation from core activities, allowing us to invest in our existing and new homes and in our services to customers. Our principle financial ratios show exceptional performance in both areas. Core operating margin, our lead financial efficiency measure, was 42% (14/15 38%). Cash conversion consistently exceeds 115% and our free cash flow is £52m (14/15 £49m). Reflecting this, EBITDA interest cover is 3.52 (14/15 3.25) times and gearing and asset gearing have now reached a steady level.

Liquidity remains a key focus and, at March 2016 we have:

- Cash and cash equivalents of £63.7m
- £81.6m in undrawn loan facilities (including Revolving Credit Facilities)
- £207m of security ready to use within 3 months, with another £250m in the pipeline.

Effects of material estimates and judgments within these financial statements

- On an annual basis we review for potential **Impairment of non financial assets**. Following the review no impairment was deemed to be required.
- We have accounted for depreciation of assets on a straight line basis. The depreciation basis is reviewed regularly for the each class of asset, and no changes were required.
- The majority of our **debt financial instruments** are classified as basic. We do however have some stand alone interest rate swaps which have been categorised as non basic and these have been measured at fair value within these financial statements.

Further details of key estimations can be found within our accounting policies on page 24.

Income and expenditure

The surplus of £49.5m is another record for BHA (14/15: £35.0m).

The vast majority of our income is derived from rents and service charges and we are not dependent upon income from asset disposals.

Rental income

We aim to maximise rental income within a customer affordability framework. Performance on bad debts and arrears remains strong despite the difficult economic conditions.

Gross arrears rose slightly in the year, but at 15.5 days rent arrears are still only 4.2% (14/15 3.9%). Net arrears (taking prepaid rent into account) also rose but remain low at only 1.9% (13/14: 1.6%).

Shared Ownership

Shared Ownership and shared equity sales income for the year was £15m (14/15: £11m). We sold 157 homes at an average 100% sales value of £191k (14/15: 137 units, 100% value: £167k). The first tranche share decreased slightly to 45% (14/15: 48%) excluding shared equity sales.

We had 34 homes unsold at year end, with just three unsold units older than six months, all of which are currently reserved.

Costs

Cost control is a core deliverable across the business. Whilst our underlying operating costs have increased, our underlying operating cost per home has remained constant over the last five years at c. £2,500. When FRS102 changes to depreciation charges are taken into account we see a small increase in operating costs

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2016

per home for 14/15 and 15/16. Success in controlling costs drives our excellent core operating margin which at 42% remains one of the strongest in the sector. Our strong focus on cost is a central part of our Value for Money framework, evidencing not just the cost of what we do but its effectiveness and the outcomes we achieve for our customers.

Our operating costs for other social housing activities (see note two on page 34) includes our Social Value investment activities which are offered as part of the Deal. During the year we spent £1.0m (14/15 £0.8m) on these added value activities; coaching and supporting our customers and piloting new service delivery models. The social return on this investment is shown in our social value report within the BHG accounts.

Disposals

Disposals are not a material feature in our financial results, but we expect them to grow over time as we proactively manage our homes to deliver a strong return on assets.

Disposal profits in the year were £4.9m (14/15: £2.8m).

Corporation tax

We continue the policy of gift aiding taxable surpluses from non-charitable Group Members to charitable Group Members. BHA received £5.7m in gift aid payments from other group members (14/15: £5.9m).

Balance sheet

Fixed assets

Details of the movements in fixed assets during the year are set out in notes 11 to 15 to the financial statements.

Sales exposure

Exposure to unsold Shared Ownership stock is not a material issue for us, neither is potential impairment of property values.

Investment in our homes

In 15/16 we invested c. £20m in major repair and refurbishment programmes (14/15 £19m) and c. £49m in new homes (14/15 £44m).

Treasury

The following table highlights our position on key measures: **based on group figures – not BHA only*

| | |
|--------------------------------------|-------------|
| Borrowing | £583m |
| Undrawn facilities | £121.6m |
| Cash balances | £64m |
| Fixed rate borrowing | 80% |
| Cost of borrowing | 4.48% |
| Interest cover covenant (cash flow) | 3.91 times* |
| Asset gearing covenant (66.67% max)* | 29%* |

*These are based on Group results

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2016

Cash and liquidity

Rigorous control of cash is a key focus for us. Operating cash flow was again strong at £77m, (14/15: £76m) and represents 118% of operating surplus, an excellent cash conversion performance. Cash balances were strong at £63.7m.

Facilities and funding

Borrowings of £583.0m (14/15 £553.3m) increased due to the £43m Affordable Housing Finance (AHF) bond issue less operational repayments on our revolving credit facilities (RCF) and scheduled capital repayments.

Undrawn facilities are predominantly RCF's which provide flexibility and assist in mitigating the cost of carry on excess funds. During 15/16 we secured additional RCF's with our relationship banks, taking our overall RCF level to £81.6m (14/15 £65.9m).

Interest rate management and mark to market position

We use fixed rate borrowings to manage our exposure to increases in interest rates and 80% of our borrowings are at fixed rates (14/15 82%). This strikes a balance allowing us to benefit from low short term rates. No further interest rate hedging was undertaken during the year.

The average cost of borrowing was 4.48% (14/15 4.66%). The slight fall came from scheduled repayment of variable rate loans, RCF repayments and fixed loans maturing to variable.

We have a portfolio of cancellable interest rate swaps for periods ranging to 2032. The swaps are with relationship banks with whom we already have a borrowing position. We manage our mark to market (MtM) position carefully, using the MtM thresholds built into our International Swaps and Derivatives Association (ISDA) agreements and being able to use property as security when required.

The full MtM value of the cancellable swaps at year end was £30.2m which was slightly above last year's level of £29.9m due to falls in the yield curve and long term rates. At year end the MtM call amount over our contracted threshold levels decreased to £10.2m (14/15 £11.4m) as a result of movement in the yield curve.

Covenants

We have been moving to a situation where the majority of covenants are based on Group numbers and are broadly consistent in their composition. We have considerable capacity on both our interest cover and asset gearing covenants and they do not limit our activities.

2. Operating performance

Operational performance against targets is monitored at group level and a summary is included within the Annual Report and Financial Statements of BHG.

3. Value for money (VfM)

Details of Bromford's VfM performance are summarised in the Annual Report and Financial Statements of BHG.

4. Social value

Details of Bromford's social value delivery are summarised in the Annual Report and Financial Statements of BHG.

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2016

5. Future outlook

Welfare reform

We continue to gain valuable insight from running our own internal pilot of Direct Payments, as well as closely monitoring customers who have migrated to Universal Credit. We continue to keep close to Universal Credit development and implementation issues and are represented on key DWP working groups.

We have completed an affordability review to assess the impact of welfare reform for our current and future customers and will monitor our new lettings in 2016/17 closely, using our affordability calculator to ensure our customers can afford to live in our homes both now and in the future when welfare reform changes are likely to impact them.

Our financial planning allows for additional resources we believe we will need both to implement our localities' plan and to manage the impact of welfare reform on our customers. By investing in localities and our service offers, we expect to maintain our current strong financial position. We have none the less allowed for an increase in both bad debts and void costs.

Supporting People contracts

Continued pressure on Local Authority funding has led to further reductions in services and funding and we are reviewing our position on a contract by contract basis. Over time we expect our Supporting People activity to continue to reduce.

Voluntary Right to Buy

We await the outcome of the National Housing Federation (NHF) pilots, and are keeping close to issues of implementation via the NHF/DCLG working groups.

Board compliance statements

Public benefit Entity

As a public benefit Entity, Bromford Group has applied public benefit entity 'PBE' prefixed paragraphs of FRS102.

Statement of Compliance with the 2015 Statement of Recommended Practice (SORP)

The Board confirms that the Strategic report contained within this Board report has been prepared in accordance with the principles set out in Para 4.7 of the 2014 SORP for Registered Social Housing Providers.

Board's responsibilities for the financial statements

The Board is responsible for preparing the report and financial statements in accordance with applicable law and regulation.

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of its income and expenditure for that period.

In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent

Bromford Housing Association Limited

Board and Strategic Report For the year ended 31 March 2016

- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the Co-operative and to prevent and detect fraud and other irregularities.

Information for Auditors

We the members of the Board who held office at the date of approval of these Financial Statements as set out above confirm, so far as we are aware, that there is no relevant audit information of which the Association's auditors are unaware; and we have taken all the steps that we ought to have taken as Board members to make ourselves aware of any relevant audit information and to establish that the auditors are aware of that information.

In preparing the financial statements, the Board Members have reviewed BHA's financial plan for 2016/21 and has a reasonable expectation that BHA has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements set out on pages 20 to 65 have been prepared on a going concern basis.

Appointment of Auditors

Following an open and transparent tender process in 2011, Beever and Struthers, Chartered Accountants were reappointed as Bromford's external auditors for a period of five years to 2016. Retendering of the external audit is currently in process with the process expected to be completed by October 2016.

The report of the Board was approved on 19 July 2016 and signed on its behalf by:



Jonathan Simpson-Dent - Chair

Bromford Housing Association Limited

Report of the Independent Auditors to the Shareholders of Bromford Housing Association Limited

We have audited the Association's financial statements of Bromford Housing Association Limited for the year ended 31 March 2016 set out on pages 20 to 65. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and the Auditor

As explained more fully in the Statement of Board's Responsibilities for the Financial Statements set out on page 16, the Board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board and Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the Association's affairs as at 31 March 2016 and of its income and expenditure for the year then ended; and
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Bromford Housing Association Limited

Report of the Independent Auditors to the Shareholders of Bromford Housing Association Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

- A satisfactory system of control over transactions has not been maintained; or
- The Association has not kept proper accounting records;
- The financial statements are not in agreement with the books of account; or
- We have not received all the information and explanations we require for our audit.

Beever and Struthers

BEEVER AND STRUTHERS
Chartered Accountants and Statutory Auditor
St George's House
215-219 Chester Road
Manchester M15 4JE

19 July 2016

Bromford Housing Association Limited

Statement of Comprehensive Income For the year ended 31 March 2016

| | Notes | 2016 | | | 2015 | | |
|---|-------|------------------|--------------------------------|------------------|------------------|--------------------------------|------------------------------------|
| | | £'000 UK GAAP | £'000 FRS 102 adjustment | £'000 FRS 102 | £'000 UK GAAP | £'000 FRS 102 adjustment | £'000 Restated under FRS 102 |
| Turnover | 2 | 160,122 | 4,766 | 164,888 | 155,135 | 4,491 | 159,626 |
| Cost of sales | 2 | (10,964) | - | (10,964) | (7,782) | - | (7,782) |
| Operating costs | 2 | (82,687) | (5,979) | (88,666) | (86,564) | (2,555) | (89,119) |
| Operating surplus | | 66,471 | (1,213) | 65,258 | 60,789 | 1,936 | 62,725 |
| Gain/(loss) on disposal of property, plant and equipment (fixed assets) | 33 | 4,922 | 26 | 4,948 | 3,397 | (619) | 2,778 |
| Interest receivable | 6 | 749 | - | 749 | 715 | - | 715 |
| Interest and financing costs | 7 | (26,657) | (218) | (26,875) | (26,526) | (832) | (27,358) |
| Movement in fair value of financial instruments | 7 | - | (347) | (347) | - | (10,894) | (10,894) |
| Movement in fair value of investments | 19 | - | (184) | (184) | - | 148 | 148 |
| Increase/ (decrease) in valuation of investment properties | 13 | - | 253 | 253 | - | 923 | 923 |
| Gift aid received | 34 | 5,667 | - | 5,667 | 5,934 | - | 5,934 |
| Surplus/(deficit) before tax | 5 | 51,152 | (1,683) | 49,469 | 44,309 | (9,338) | 34,971 |
| Taxation | 10 | - | - | - | - | - | - |
| Surplus/(deficit) for the year after tax | | 51,152 | (1,683) | 49,469 | 44,309 | (9,338) | 34,971 |
| Unrealised surplus on revaluation of investments | | - | - | - | 148 | (148) | 0 |
| Actuarial gain/(loss) relating to pension scheme | 36 | 4,334 | - | 4,334 | (3,431) | 475 | (2,956) |
| Total comprehensive income for the year | | 55,486 | (1,683) | 53,803 | 41,026 | (9,011) | 32,015 |

The association's results relate wholly to continuing activities and the notes on pages 26 to 65 form an integral part of these financial statements.

The notes on pages 24 to 65 form an integral part of these accounts.

The financial statements on pages 20 to 65 were approved and authorised for issue by the Board on 19 July 2016 and were signed on its behalf by:



Jonathan Simpson-Dent
Chair



Philippa Jones
Chief Executive



John Wade
Company Secretary

Bromford Housing Association Limited

Statement of Financial Position As at 31st March 2016

| | Notes | 2016 £'000 | Restated 2015 £'000 |
|--|-----------|--------------------|---------------------------|
| Fixed assets | | | |
| Tangible fixed assets - housing properties | 11 | 1,404,578 | 1,367,464 |
| Investment properties | 13 | 4,474 | 4,223 |
| Tangible fixed assets - other | 16 | 14,677 | 8,055 |
| Homebuy loans receivable | 14 | 743 | 234 |
| Investments - other | 15 | 4,220 | 4,220 |
| | | 1,428,692 | 1,384,196 |
| Current assets | | | |
| Stocks | 17 | 5,615 | 3,249 |
| Trade and other debtors : receivable within one year | 18 | 9,320 | 9,342 |
| Debtors : amounts falling due after more than one year | 18 | 20,651 | 26,414 |
| Investments | 19 | 9,643 | 8,413 |
| Cash and cash equivalents | 20 | 63,718 | 29,938 |
| | | 108,947 | 77,356 |
| Creditors: Amounts falling due within one year | 21 | (43,956) | (40,216) |
| Net current assets | | 64,991 | 37,140 |
| Total assets less current liabilities | | 1,493,683 | 1,421,336 |
| Creditors: amounts falling due after more than one year | 22 | (1,046,203) | (1,022,983) |
| Provisions for liabilities | | | |
| Pension liability | 25 | (10,667) | (15,343) |
| Total net assets | | 436,813 | 383,010 |
| Reserves | | | |
| Called up share capital | 26 | - | - |
| Income and Expenditure Reserve | | 350,892 | 295,362 |
| Revaluation Reserve | | 85,921 | 87,648 |
| Revaluation Reserve: Investments | | - | - |
| Total reserves | | 436,813 | 383,010 |

The financial statements on pages 20 to 65 were approved by the Board and authorised for issue on 19 July 2016, and are signed on behalf of the Board by:



Jonathan Simpson-Dent
Chair



Philippa Jones
Chief Executive



John Wade
Company Secretary

The notes on pages 24 to 65 form an integral part of these accounts.

Bromford Housing Association Limited

**Statement of Changes in Reserves
For the year ended 31 March 2016**

| | Note | Income and expenditure reserve £'000 | Revaluation reserve £'000 | Revaluation Investment reserve £'000 | Total £'000 |
|--|------|---|---------------------------------|---|----------------|
| Balance at 1 April 2014 as previously stated | | 248,244 | 113,779 | 614 | 362,637 |
| Changes on transition to FRS 102 | 35 | 13,368 | (24,396) | (614) | (11,642) |
| Balance at 1 April 2014 | | 261,612 | 89,383 | - | 350,995 |
| Surplus/(deficit) from Statement of Comprehensive Income | | 32,015 | - | - | 32,015 |
| Transfer in respect of depreciation | | 1,457 | (1,457) | - | - |
| Transfer in respect of deemed costs disposals | | 278 | (278) | - | - |
| Balance at 31 March 2015 | | 295,362 | 87,648 | - | 383,010 |
| Surplus/(deficit) from Statement of Comprehensive Income | | 53,803 | - | - | 53,803 |
| Transfer in respect of depreciation | | 1,326 | (1,326) | - | - |
| Transfer in respect of deemed costs disposals | | 401 | (401) | - | - |
| Balance at 31 March 2016 | | 350,892 | 85,921 | - | 436,813 |

The notes on pages 24 to 65 form an integral part of these accounts.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

1. Principle accounting policies

Legal Status

Bromford Housing Association Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 (Registered Society number 31418R) and is registered with the Homes and Communities Agency as a Private Registered Provider of Social Housing (registration number L4674). The registered office is Exchange Court, Brabourne Avenue, Wolverhampton, WV10 6AU.

Basis of accounting

The Association's financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The accounts are prepared on the historical cost basis of accounting as modified by the revaluation of investments properties and financial instruments and are presented in sterling £.

The Association's financial statements have been prepared in compliance with FRS102 as it applies for the first time to the financial statements of the Association for the year ended 31 March 2016.

The Association transitioned from previous UK GAAP to FRS102 as at 1 April 2014. An explanation of how the transition to FRS102 has affected the reported financial position and performance, as well as the exemptions taken on transition, is given in note 35.

Going concern

The Association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. Government announcements in July 2015 impacting on the future income of the Association led to a reassessment of the Association's business plan as well as an assessment of the likelihood of any imminent or future breach of borrowing covenants. The reassessment did not give rise to any significant concerns and the Board consider it appropriate to continue to prepare the financial statements on a going concern basis.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

- **Development expenditure** - The Association capitalises development expenditure in accordance with the accounting policy described on page 27. Initial capitalisation of costs is based on management's judgement that the development scheme is likely to proceed. Costs capitalised in this way are regularly reviewed and any costs identified as abortive are charged in the Statement of Comprehensive Income.

Bromford Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2016

- **Categorisation of housing properties** - The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals. The Association has determined that market rented property and commercial properties are investment properties.
- **Impairment** - The Association has identified a cash generating unit for impairment assessment purposes during development and construction at a programme level, with subsequent impairment assessment once in management at a property scheme level.

Other key sources of estimation and assumptions:

- **Tangible fixed assets** - Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- **Revaluation of investment properties** - The Association carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The Association engaged independent valuation specialists to determine the fair value of these properties at the transition date, 31 March 2015 and 31 March 2016. The valuer used a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 29.
- **Categorisation of debt** - The Association's loans have been treated as 'basic' in accordance with paragraphs 11.8 and 11.9 of FRS 102. The Association has fixed rate loans which have a two-way break clause (i.e. in addition to compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed rate is lower than the existing loan's fixed rate, compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan's fixed rate). On 2 June 2016, The Financial Reporting Council (FRC) issued a statement in respect of such loans and gave no prescriptive direction as to whether they should be classified as 'basic' or 'non basic'. The association believes the recognition of each loan liability at cost provides a more transparent and understandable position of the Association's financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, therefore, the Association has retained its 'basic' treatment of its fixed rate loans following the FRC announcement.
- **Pension and other post-employment benefits** - The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, the actuary considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

are based on expected future inflation rates for the respective sector. Further details are given in note 31.

- **Impairment of non-financial assets** - Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

During the year the Government announced a change in rent policy which resulted in a material impact on the net income expected to be collected in the future for housing properties and the Association have assessed that this represents a trigger for impairment review.

Following a trigger for impairment, the Association perform impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from sales transactions in an arm's length transaction on similar cash generating units (properties) or observable market prices less incremental costs for disposing of the properties. The value in use calculation is based on either a depreciated replacement cost or a discounted cash flow model.

The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to the Association as the existing property. The cash flows are derived from the business plan for the next 30 years and do not include any restructuring activities that the Association is not yet committed to nor any significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Following the assessment of impairment no potential impairment losses were identified in the reporting period.

Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and the Homes and Communities Agency, income from the sale of shared ownership and other properties developed for outright sale and other income recognised in relation to the period when the goods or services have been supplied.

Rental income (net of voids) is recognised when the property is available for let. Income from property sales is recognised on legal completion. Supporting People Income is recognised under the contractual arrangements.

Sales of properties developed for outright sale are included in Turnover and Cost of Sales.

Support income and costs including Supporting People income and costs

Supporting People contract income received from Administering Authorities is accounted for as income in Turnover as per note two. The related support costs are matched against this income in the same note. Support charges included in the rent are included in the Statement of Comprehensive Income from social housing lettings note three and matched against the relevant costs.

Service charges

Service charge income and costs are recognised on an accruals basis. The Association operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required, a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors

Loan interest costs

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

Loan finance issuance costs

These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the gross proceeds as at issue after deducting any amortised issuance costs.

Where loans are redeemed during the year, any redemption penalty and any connected loan finance issuance costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

Taxation

Bromford Housing Association Limited has charitable tax status and therefore is not subject to corporation tax on surpluses derived from charitable activities.

Value Added Tax

The Association charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by the Association and is not recoverable.

Tangible fixed assets and depreciation

Housing properties

Tangible fixed assets are stated at cost, less accumulated depreciation. Donated land/assets or assets acquired at below market value from a Government source, i.e. Local Authority, are included as a liability in the Statement of Financial Position at the fair value less consideration paid.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion.

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

Freehold land is not depreciated.

The Association depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

UELs for identified components are as follows:

| | Years |
|---------------------------------|-------|
| • Boilers | 15 |
| • Heating systems | 30 |
| • Kitchens | 20 |
| • Bathroom | 30 |
| • Roofs | 65 |
| • Windows and doors | 25 |
| • Structure – houses | 130 |
| • Structure – flats | 75 |
| • Structure – rooms and bedsits | 40 |

The Association depreciates housing properties held on long leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives which are as follows:

| | Years |
|---|-------|
| • Motor vehicles | 3 |
| • Fixtures, fittings, plant and equipment | 5 |
| • Computer software | 3 |
| • Computer hardware | 3 |
| • Office buildings | 50 |

Low cost home ownership properties

The costs of low cost home ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

Capitalisation of interest and administration costs

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

Property managed by agents

Where the Association carries the majority of the financial risk on property managed by agents, the total income and costs arising from the property are included in the Statement of Comprehensive Income.

Where the agency carries the majority of the financial risk, only the income and costs solely attributable to the Association are included in the Statement of Comprehensive Income.

In both cases, the assets and associated liabilities are included in the Association's Statement of Financial Position.

Leasing and hire purchase

Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their economic useful lives.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit and loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Other leases are treated as operating leases and payments are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to Statement of Comprehensive Income over the term of the lease.

Investment property

Investment property includes commercial and other properties held by the Association for reasons other than social benefit. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date. Fair value is determined annually by external valuers and is derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

HomeBuy

The Association operates this scheme by lending a percentage of the cost to home purchasers, secured on the property. The loans are interest free and repayable only on the sale of the property. On a sale, the fixed percentage of the proceeds is repaid. The loans are financed by an equal amount of Social Housing Grant (SHG).

On redemption:

- The SHG is recycled
- The SHG is written off, if a loss occurs, otherwise it is transferred to the Recycled Grant Fund
- The Association keeps any surplus.

Homebuy loans are treated as concessionary loans and are initially recognised at the amount payable by the purchaser and reviewed annually for impairment. The associated Homebuy grant from the HCA is recognised as deferred income until the loan is redeemed.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

Equity loans purchased from house builders

These are recorded at the lower of cost and net realisable value. An impairment review takes place at the end of each year to ensure that the amount repayable by the debtor at today's prices is greater than cost.

Current asset investments

Current asset investments include cash and cash equivalents invested for periods of more than 30 days which can not be accessed within 24 hours. They are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the statement of comprehensive income.

Stock and properties held for sale

Stocks of materials are stated at the lower of cost and net realisable value being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

Properties developed for outright sale are included in current assets as they are intended to be sold, at the lower of cost or estimated selling price less costs to complete and sell.

At each reporting date, stock and properties held for sale are assessed for impairment. If there is evidence of impairment, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in Statement of Comprehensive Income.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income statement in other operating expenses.

Non-government grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. If there are specific performance requirements, the grant is recognised as a liability until the performance requirements are met, when the grant is recognised as Turnover.

Social Housing and other Government grants

Where developments have been financed wholly or partly by social housing grant (SHG) and other grants, the amount of the grant received has been included in the Statement of Financial Position as deferred income. This income is recognised in Turnover (using the accruals model) over the estimated useful life of the assets excluding land) which it funds. SHG received for items of cost written off in the Statement of Comprehensive Income Account is included as part of Turnover.

When SHG in respect of housing properties in the course of construction exceeds the total cost incurred to date in respect of those properties, the excess is shown as a current liability.

SHG must be recycled by the Association if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes and Communities Agency. However, SHG may have to be repaid if certain conditions are not met. In that event, the amount repayable is shown in the Statement of Financial Position as a subordinated unsecured repayable debt.

Recycling of Capital Grant

Social Housing Grant which has been recycled is transferred to the Recycled Grant Fund and appears as a creditor until it is either used to fund the acquisition of new properties or is repaid.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

Disposal Proceeds Fund (DPF)

Receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal are credited to the DPF, this creditor is carried forward until it is used to fund the acquisition of new social housing

Holiday pay accrual

Unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods is recognised as a liability in the Statement of Financial Position. This is measured at the undiscounted salary cost of the accrued future holiday entitlement.

Retirement benefits

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

The disclosures in the accounts follow the requirements of Section 28 of FRS 102 in relation to multi-employer funded schemes in which the Association has a participating interest.

Contributions payable under an agreement with SHPS to fund past deficits are recognised as a liability in the Association's financial statements calculated by the repayments known, discounted to the net present value at the year ended using a market rate discount factor of 3.02% at 31 March 2014, 1.92% at 31 March 2015 and 2.08% at 31 March 2016. The unwinding of the discount is recognised as a finance cost in the Statements of Comprehensive Income in the period incurred.

Revaluation reserve

The revaluation reserve represents the difference on transition between the fair value of social housing properties and other assets and the historical cost carrying value, where deemed cost transitional relief was taken.

Financial instruments

Financial assets and financial liabilities are initially measured at the transaction price adjusted, where the financial asset or liability is not required to be held at fair value, for any directly attributable costs of acquisition.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.

Investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are measured at:

- Fair value with changes in fair value recognised in profit or loss if the shares are publicly traded or their value can otherwise be measured reliably.
- At cost less impairment for all other such investments.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

Financial instruments held by the Association are classified as follows:

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method
- Loans to or from subsidiaries including those that are due on demand are held at amortised cost using the effective interest method
- Commitments to receive or make a loan to another entity which meet the conditions above are held at cost less impairment
- An investment in another entity's equity instruments other than non-convertible preference shares and non-puttable ordinary and preference shares are held at fair value
- Derivatives such as interest rate swaps are classified as financial assets or financial liabilities at fair value.

Financial assets and financial liabilities at fair value are classified using the following fair value hierarchy:

- a) The best evidence of fair value is a quoted price in an active market.
- b) When quoted prices are unavailable, the price of a recent transaction for an identical asset, adjusted to reflect any circumstances specific to the sale, such as a distress sale, if appropriate.
- c) Where there is no active market or recent transactions then a valuation technique is used to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

Hedging

Interest rate swaps relate to fixing variable rate interest and are therefore designated as cash flow hedges. A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable transaction, which could affect profit or loss. They are measured at fair value at each reporting date.

Gains and losses on cash flow hedges which are highly effective are recognised in other comprehensive income. Any ineffective portion of a gain or loss on cash flow hedges is recognised in the Statement of Comprehensive Income.

In order to apply hedge accounting, an economic relationship must exist between the hedged item and the hedging instrument. The Association must formally designate and document the hedging relationship at inception so that the risk being hedged, the hedged item and the hedging instrument are clearly identified, and the risk management objective and for undertaking the hedge. It is also required to determine and document the causes of hedge ineffectiveness.

In a cash flow hedge, if the hedged future cash flows are no longer expected to occur, the amount that has been accumulated in the cash flow hedge reserve is reclassified from the cash flow hedge reserve to profit or loss immediately.

If the hedged future cash flows are still expected to occur, the cumulative gain or loss in the cash flow reserve is accounted for as follows:

- i. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Association will remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or liability;

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

- ii. For cash flow hedges other than those covered by (i), that amount will be reclassified from the cash flow hedge reserve to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss (for example, in the periods that interest income or interest expense is recognised or when a forecast sale occurs); and
- iii. If the amount is a loss, and all or part of that loss is not expected to be recovered, the amount of the loss not expected to be recovered will be reclassified to the Statement of Comprehensive Income immediately.

Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.

The following financial instruments are assessed individually for impairment:

- a) All equity instruments regardless of significance; and
- b) Other financial assets that are individually significant.

Other financial instruments are assessed for impairment either individually or grouped on the basis of similar credit risk characteristics.

An impairment loss is measured as follows on instruments measured at cost or amortised cost:

- a) For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.
- b) For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal cannot result in a carrying amount (net of any allowance account) which exceeds what the carrying amount would have been had the impairment not previously been recognised. The amount of the reversal is recognised in Statement of Comprehensive Income immediately.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

2. Turnover and operating Surplus

| Notes | 2016 | | | |
|--|----------------|-----------------|-----------------|-------------------------------|
| | Turnover | Cost of Sales | Operating Costs | Operating Surplus / (Deficit) |
| | £'000 | £'000 | £'000 | £'000 |
| Social Housing Lettings | | | | |
| Housing accommodation | 121,084 | - | (59,551) | 61,533 |
| Supported housing accommodation | 13,724 | - | (10,468) | 3,256 |
| Shared ownership accommodation | 4,479 | - | (3,478) | 1,001 |
| | 139,287 | - | (73,497) | 65,790 |
| Other Social Housing Activities | | | | |
| First tranche shared ownership sales | 15,185 | (10,964) | (774) | 3,447 |
| Supported people contract income | 7,310 | - | (6,677) | 633 |
| Social value investment | - | - | (1,010) | (1,010) |
| Agency services | 1,916 | - | (1,754) | 162 |
| Development partnership | - | - | - | - |
| Sales and development | - | - | (537) | (537) |
| Deferred benefit pension charge - remeasurement - impact of any changes in assumptions | - | - | (3,783) | (3,783) |
| Other | 297 | - | (76) | 221 |
| Non Social Housing Activities | | | | |
| Market rents | 368 | - | (70) | 298 |
| Sewerage services | 17 | - | (169) | (152) |
| Commercial rents | 508 | - | (41) | 467 |
| Properties and facilities management | - | - | (278) | (278) |
| | 164,888 | (10,964) | (88,666) | 65,258 |

2. Turnover and operating Surplus

| Notes | Restated 2015 | | | |
|--|------------------|----------------|-----------------|-------------------------------|
| | Turnover | Cost of Sales | Operating Costs | Operating Surplus / (Deficit) |
| | £'000 | £'000 | £'000 | £'000 |
| Social Housing Lettings | | | | |
| Housing accommodation | 115,772 | - | (59,306) | 56,466 |
| Supported housing accommodation | 14,124 | - | (11,071) | 3,053 |
| Shared ownership accommodation | 4,169 | - | (3,298) | 871 |
| | 134,065 | - | (73,675) | 60,390 |
| Other Social Housing Activities | | | | |
| First tranche shared ownership sales | 10,956 | (7,782) | (827) | 2,347 |
| Supported people contract income | 10,814 | - | (9,550) | 1,264 |
| Social value investment | - | - | (751) | (751) |
| Agency services | 2,794 | - | (2,627) | 167 |
| Development partnership | 90 | - | (90) | - |
| Sales and development | 7 | - | (525) | (518) |
| Deferred benefit pension charge - remeasurement - impact of any changes in assumptions | - | - | (545) | (545) |
| Other | 38 | - | (80) | (42) |
| Non Social Housing Activities | | | | |
| Market rents | 319 | - | (43) | 276 |
| Sewerage services | 21 | - | (92) | (71) |
| Commercial rents | 522 | - | (51) | 471 |
| Properties and facilities management | - | - | (263) | (263) |
| | 159,626 | (7,782) | (89,119) | 62,725 |

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

3. Income and Expenditure from Social Housing Lettings

| | 2016 | | | Total £'000 | Restated 2015 |
|---|-----------------------------------|-------------------------------|------------------------------|-----------------|------------------|
| | Housing Accommodation £'000 | Supported Housing £'000 | Shared Ownership £'000 | | Total £'000 |
| Income | | | | | |
| Rent receivable net of identifiable service charge | 114,443 | 8,116 | 3,674 | 126,233 | 121,430 |
| Service charge income | 3,151 | 4,521 | 623 | 8,295 | 7,996 |
| Charges for support services | 25 | 132 | - | 157 | 312 |
| Amortised Government grants | 3,465 | 955 | 182 | 4,602 | 4,327 |
| Turnover from social housing lettings | 121,084 | 13,724 | 4,479 | 139,287 | 134,065 |
| Expenditure | | | | | |
| Management | (16,832) | (1,127) | (1,006) | (18,965) | (19,663) |
| Service charge costs | (4,172) | (4,516) | (511) | (9,199) | (9,188) |
| Care and support costs | (36) | (142) | (1) | (179) | (295) |
| Routine maintenance | (14,186) | (1,217) | (212) | (15,615) | (16,431) |
| Planned maintenance | (1,554) | (581) | (80) | (2,215) | (2,240) |
| Major repairs expenditure | (4,765) | (1,090) | (316) | (6,171) | (6,005) |
| Bad debts | (540) | (129) | (26) | (695) | (714) |
| Depreciation of housing properties | (17,466) | (1,666) | (1,326) | (20,458) | (19,139) |
| Operating expenditure on social housing lettings | (59,551) | (10,468) | (3,478) | (73,497) | (73,675) |
| Operating surplus on social housing lettings | 61,533 | 3,256 | 1,001 | 65,790 | 60,390 |
| Void losses | (490) | (626) | (1) | (1,117) | (1,180) |

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

4. Accommodation owned, managed and in development

| | 2016 | Restated 2015 |
|---------------------------------------|----------------------|----------------------|
| | Number | Number |
| Under management at end of year: | | |
| General needs housing social rent | 21,007 | 20,968 |
| General needs housing affordable rent | 1,470 | 1,308 |
| Supported housing | 2,049 | 2,009 |
| Low-cost home ownership | 1,457 | 1,354 |
| Leasehold | 775 | 755 |
| | <u>26,758</u> | <u>26,394</u> |
| Under development at end of year: | | |
| General needs housing social rent | 159 | 180 |
| General needs housing affordable rent | 462 | 341 |
| Supported housing | 59 | 67 |
| Low-cost home ownership | 374 | 264 |
| | | |
| Total social housing units | <u>27,812</u> | <u>27,246</u> |
| Non Social Housing | | |
| Staff accommodation | 9 | 9 |
| Market rent | 53 | 53 |
| Commercial units | 37 | 38 |
| Offices and Resource Units | 107 | 110 |
| Retained freeholds | 461 | 423 |
| | | |
| Total non social housing units | <u>667</u> | <u>633</u> |
| Total units | <u>28,479</u> | <u>27,879</u> |
| | | |
| Owned and managed | 26,419 | 26,059 |
| Owned and managed by others | 482 | 475 |
| Managed for others | 524 | 493 |
| Under Development | 1,054 | 852 |
| | | |
| Total units | <u>28,479</u> | <u>27,879</u> |
| | | |
| Garages / parking spaces | <u>2,694</u> | <u>2,687</u> |

5. Surplus on ordinary activities

| The surplus on ordinary activities is stated after crediting / (charging): | 2016 | Restated 2015 |
|---|----------|------------------|
| | £'000 | £'000 |
| Operating lease rentals: | | |
| office land & buildings | (827) | (727) |
| vehicles | (1,243) | (1,062) |
| Surplus on sale of fixed assets | 4,948 | 2,778 |
| Depreciation of housing properties | (20,462) | (19,132) |
| Depreciation of tangible owned fixed assets | (1,204) | (1,921) |
| Auditor's remuneration (excluding VAT): | | |
| Audit of the financial statements | (33) | (31) |
| Audit of subsidiaries | - | - |
| Fees payable to the company's auditor and its associates for other services to the company: | | |
| Service Charge certification | (29) | (29) |
| Taxation advisory | (7) | (4) |
| Other services | (14) | (11) |

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

| 6. Interest receivable and similar income | 2016 | Restated |
|---|----------------|----------|
| | £'000 | 2015 |
| | | £'000 |
| Interest receivable from cash and money market deposits | 749 | 715 |
| | 749 | 715 |
| | | |
| 7. Interest payable and similar charges | 2016 | Restated |
| | £'000 | 2015 |
| | | £'000 |
| Interest on loans, overdraft and other financing: | | |
| On loans repayable within five years | 2,665 | 1,024 |
| Repayable wholly or partly in more than five years | 23,934 | 26,220 |
| | 26,599 | 27,244 |
| Deferred benefit pension charge | 218 | 357 |
| Other finance charges | 366 | 175 |
| Finance costs / amortised premium | 158 | 92 |
| | 27,341 | 27,868 |
| Interest payable capitalised on housing properties under construction 5.2% (2014: 5.2%) | (944) | (1,038) |
| | 26,397 | 26,830 |
| Interest on pension scheme liabilities | 1,545 | 1,756 |
| Expected return on employer assets | (1,067) | (1,228) |
| | 26,875 | 27,358 |
| Other financing costs through other comprehensive income | | |
| Movement in value on basic swap – derivative instruments | 347 | 10,894 |

8. Colleague costs

Colleagues in the Group are employed on a joint and several basis by Bromford Housing Group Ltd and its members. Details of colleague numbers and cost are available in the Group accounts.

9. Directors' emoluments

Emoluments to directors are paid through Bromford Housing Group and are disclosed in the Group Accounts.

10. Taxation on Surplus on ordinary activities

No charge arose from any surplus on non-charitable activities relating to the year ended 31 March 2016 (2015: £0k).

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

11. Tangible Fixed Assets - Housing Properties

| | Housing Properties held for letting | Housing Properties under Construction | Completed Shared Ownership Housing Properties | Shared Ownership Properties under Construction | Total |
|---|--|--|---|--|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | |
| At 1 April 2015 (Restated) | 1,420,104 | 27,875 | 86,428 | 9,203 | 1,543,610 |
| Additions | 1,037 | 35,921 | (102) | 12,041 | 48,897 |
| Replacement of components | 14,093 | - | - | - | 14,093 |
| Transferred on completion | 30,424 | (30,424) | 7,423 | (7,423) | - |
| Disposals | (2,011) | - | (2,857) | - | (4,868) |
| Components disposed | (6,942) | - | - | - | (6,942) |
| At 31 March 2016 | <u>1,456,705</u> | <u>33,372</u> | <u>90,892</u> | <u>13,821</u> | <u>1,594,790</u> |
| Less:- | | | | | |
| Depreciation and Impairment | | | | | |
| At 1 April 2015 (Restated) | 173,501 | - | 2,645 | - | 176,146 |
| Charge for the year | 19,843 | - | 619 | - | 20,462 |
| Disposals | (6,285) | - | (111) | - | (6,396) |
| At 31 March 2016 | <u>187,059</u> | <u>-</u> | <u>3,153</u> | <u>-</u> | <u>190,212</u> |
| Net Book Value At 31 March 2016 | <u>1,269,646</u> | <u>33,372</u> | <u>87,739</u> | <u>13,821</u> | <u>1,404,578</u> |
| Net Book Value At 1 April 2015 (Restated) | <u>1,246,603</u> | <u>27,875</u> | <u>83,783</u> | <u>9,203</u> | <u>1,367,464</u> |
| | | | | | Restated |
| | | | | 2016 | 2015 |
| | | | | £'000 | £'000 |
| Housing property net book value in respect of long leaseholds | | | | 88,713 | 89,717 |
| Housing property net book value in respect of freeholds | | | | 1,315,865 | 1,277,747 |
| | | | | <u>1,404,578</u> | <u>1,367,464</u> |
| Total depreciation charge | | | | 20,462 | 19,127 |
| Component depreciation within the total depreciation charge | | | | 12,521 | 11,032 |
| Development administration costs capitalised during the year | | | | 2,551 | 2,241 |
| Estimated open market value of housing properties | | | | 2,889,852 | 2,754,504 |
| Aggregate amount of interest and finance costs included in the cost of housing properties | | | | <u>16,402</u> | <u>15,458</u> |

Properties held for security

Bromford Housing Association – Registered social housing provider had property pledged as security value of £1,046m (18,236 units) at 31st March 2016 (£1,038m (21,437 units) - 2015).

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

| 12. Expenditure on work to existing properties | 2016 | Restated 2015 |
|---|----------------------|------------------|
| | £'000 | £'000 |
| Replacement of components | 14,093 | 13,199 |
| Amounts charged to income and expenditure account | 6,171 | 6,005 |
| | <u>20,264</u> | <u>19,204</u> |

| 13. Investment properties held for letting | 2016 | Restated 2015 |
|---|---------------------|------------------|
| | £'000 | £'000 |
| At start of year | 4,223 | 3,300 |
| Disposals | (2) | - |
| Gain/(Loss) from adjustment in value | 253 | 923 |
| At end of year | <u>4,474</u> | <u>4,223</u> |

Investment properties were valued at 31 March 2016 by Jones Lang LaSelle Ltd. professional qualified external valuers.

The valuation of properties was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards.

In valuing the properties the following significant assumptions were used:

| | |
|----------------------------------|-----------|
| Discount rate | 8% |
| Annual inflation rate | 1.5%-6.5% |
| Level of long term rent increase | 1%-2% |

| 14. Homebuy loans | 2016 | Restated 2015 |
|----------------------------|-------------------|------------------|
| | £'000 | £'000 |
| At start of year | 234 | 97 |
| Loans issued in the year | 636 | 171 |
| Loans redeemed in the year | - | - |
| Provision against loans | (127) | (34) |
| At end of year | <u>743</u> | <u>234</u> |

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

15. Investments - Other

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Bromford Assured Homes plc | 4,000 | 4,000 |
| Igloo Insurance PCC Limited (Cell BRO4) | 220 | 220 |
| | <u>4,220</u> | <u>4,220</u> |

The investment in Bromford Assured Homes plc represents the fair value of the assets when purchased reviewed for impairment. The investment in Igloo Insurance PCC Limited (Cell BR04) (incorporated in Guernsey) comprises 100% of the ordinary shares.

Bromford Housing Association Limited has seven subsidiaries. The companies' details are disclosed in note 34.

16. Tangible Fixed Assets - other

| | Freehold Offices | Fixture & Fittings, & Equipment | Computer Equipment & Software | Leasehold Properties | Motor Vehicles | Total |
|--|---------------------|---------------------------------------|-------------------------------------|-------------------------|-------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost | | | | | | |
| At 1 April 2015 | 5,957 | 925 | 7,866 | 3,794 | 290 | 18,832 |
| Additions | - | 92 | 1,322 | - | - | 1,414 |
| Disposals | - | - | - | - | (49) | (49) |
| Assets transferred to I & E | - | - | (237) | - | - | (237) |
| Transfer from group company | 6,608 | 17 | - | - | - | 6,625 |
| At 31 March 2016 | <u>12,565</u> | <u>1,034</u> | <u>8,951</u> | <u>3,794</u> | <u>241</u> | <u>26,585</u> |
| Depreciation and Impairment | | | | | | |
| At 1 April 2015 | 2,241 | 879 | 6,429 | 975 | 253 | 10,777 |
| Charge for the year | 142 | 72 | 895 | 80 | 15 | 1,204 |
| Disposals | - | - | - | - | (42) | (42) |
| Assets transferred to I & E | - | - | (31) | - | - | (31) |
| At 31 March 2016 | <u>2,383</u> | <u>951</u> | <u>7,293</u> | <u>1,055</u> | <u>226</u> | <u>11,908</u> |
| Net Book Value at 31 March 2016 | <u>10,182</u> | <u>83</u> | <u>1,658</u> | <u>2,739</u> | <u>15</u> | <u>14,677</u> |
| Net Book Value at 31 March 2015 | <u>3,716</u> | <u>46</u> | <u>1,437</u> | <u>2,819</u> | <u>37</u> | <u>8,055</u> |

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

17. Stocks and work in progress

| | 2016 £'000 | Restated 2015 £'000 |
|--|---------------------|---------------------------|
| Consumable stock | 423 | 208 |
| Properties developed for outright sale | - | - |
| Cost of first tranche element of shared ownership properties | <u>5,192</u> | <u>3,041</u> |
| | <u><u>5,615</u></u> | <u><u>3,249</u></u> |
| Shared ownership properties: | | |
| Completed | 369 | 510 |
| Under construction | <u>4,823</u> | <u>2,531</u> |
| | <u><u>5,192</u></u> | <u><u>3,041</u></u> |

18. Debtors

| | 2016 £'000 | Restated 2015 £'000 |
|---|----------------------|---------------------------|
| Amounts falling due within one year: | | |
| Rent arrears | 5,740 | 4,909 |
| Less: provision for bad debts | <u>(2,202)</u> | <u>(1,817)</u> |
| | <u>3,538</u> | <u>3,092</u> |
| Trade debtors | 434 | 1,167 |
| Other Debtors | 399 | 1,690 |
| Prepayments and accrued income | 1,100 | 977 |
| Amounts due from group companies | <u>3,849</u> | <u>2,416</u> |
| Amounts falling due within one year | <u><u>9,320</u></u> | <u><u>9,342</u></u> |
| Amounts due from group companies falling due after more than one year | <u><u>20,651</u></u> | <u><u>26,414</u></u> |

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

19. Current asset investments

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Opening fair value at 1st April | 8,413 | 7,999 |
| Addition to Investment | 1,244 | 250 |
| Interest | 170 | 16 |
| Gains/(losses) on remeasurement to fair value | (184) | 148 |
| Fair Value at 31st March | <u>9,643</u> | <u>8,413</u> |

Money market deposits includes monies held by lenders in support of bond finance. These monies are placed in accounts charged to the lenders.

| | 2016 £'000 | 2015 £'000 |
|----------------------------------|---------------|---------------|
| The analysis of these monies is: | | |
| Dexia Bond | 2,904 | 2,734 |
| Haven Bond | 5,015 | 5,199 |
| Haven Cash Account | 480 | 480 |
| AHF Bond | 1,244 | - |
| | <u>9,643</u> | <u>8,413</u> |

20. Cash and cash equivalents

| | 2016 £'000 | 2015 £'000 |
|------------------|---------------|---------------|
| Cash at bank | 18,078 | 27,638 |
| Cash equivalents | 45,640 | 2,300 |
| | <u>63,718</u> | <u>29,938</u> |

In the above are balances totalling £2.4m (2015: £2.2m) which are held in trust for shared ownership leaseholders.

Bromford Housing Association Limited

Notes to the Financial Statements

For the year ended 31 March 2016

21. Creditors: amounts falling due within one year

| | 2016 | Restated 2015 |
|--|---------------|------------------|
| | £'000 | £'000 |
| Prepaid rental income | 3,176 | 2,939 |
| Loans | 13,355 | 7,425 |
| Trade creditors | 1,314 | 2,465 |
| Amounts due to group companies | 46 | 583 |
| Balances with supported housing partners | 855 | 3,122 |
| SHPS pension agreement plan | 1,853 | 1,443 |
| Funds held on trust | 333 | 322 |
| Deferred capital grant | 4,762 | 4,662 |
| Recycled capital grant fund | 1,761 | 798 |
| Interest rate swaps | 3,260 | 3,262 |
| Stock issue premium | 133 | 132 |
| Accruals and deferred income | 11,318 | 11,515 |
| Payments received on account from subsidiary for property purchase | 1,388 | 1,280 |
| Other Creditors | 402 | 268 |
| | <u>43,956</u> | <u>40,216</u> |

22. Creditors: amounts falling due after more than one year

| | 2016 | Restated 2015 |
|--|------------------|------------------|
| | £'000 | £'000 |
| Loans | 569,692 | 545,884 |
| Stock issue premium | 4,151 | 2,794 |
| Interest rate swaps | 26,945 | 26,596 |
| Other creditors | 105 | 105 |
| Leaseholder sinking funds | 2,512 | 2,307 |
| Balances with supported housing partners | 2,132 | - |
| SHPS pension agreement plan | 12,784 | 10,636 |
| Deferred capital grant | 425,223 | 430,486 |
| Recycled capital grant fund | 2,659 | 4,154 |
| Disposals proceeds fund | - | 21 |
| | <u>1,046,203</u> | <u>1,022,983</u> |

Loans repayable by instalments

| | | |
|--------------------------------------|----------------|----------------|
| Repayable within one year | 10,855 | 7,425 |
| Repayable between one and two years | 10,459 | 13,645 |
| Repayable between two and five years | 40,453 | 42,765 |
| After five years | 363,079 | 418,508 |
| Less : loan finance costs | (3,919) | (3,034) |
| | <u>420,927</u> | <u>479,309</u> |

Amounts repayable otherwise than by instalments

| | | |
|--------------------------------------|----------------|----------------|
| Repayable within one year | 2,500 | - |
| Repayable between one and two years | - | 2,500 |
| Repayable between two and five years | 53,620 | 8,500 |
| Repayable after five years | 106,000 | 63,000 |
| | <u>162,120</u> | <u>74,000</u> |
| | <u>583,047</u> | <u>553,309</u> |

Housing loans from banks, building societies, and registered social landlord public issue stock are secured by specific charges on housing properties and are repayable at varying interest rates.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

22. Creditors: amounts falling due after more than one year - (continued)

Loans due after more than one year include the Dexia, Haven and Affordable Housing Finance (AHF) bonds. As set out in Note 19, the Dexia bond is supported by cash held in a charged bank account. The Haven bond is supported by a debt deposited with the bond trustees and the AHF bond is supported by a liquidity reserve fund deposited with the trustee, both of which are invested on behalf by the trustee.

| | 2016 £'000 | 2015 £'000 |
|------------------------------------|----------------|----------------|
| Loans as stated above | 583,047 | 553,309 |
| Less : Dexia charged cash deposit | (2,904) | (2,734) |
| Less : Haven debt service reserve | (5,015) | (5,199) |
| Less : AHF Bond liquidity reserve | (1,244) | - |
| Loans net of related cash deposits | <u>573,884</u> | <u>545,376</u> |

Interest charged to the Income and Expenditure Account on the Dexia bond is net of interest earned on the Dexia charged cash deposit.

The Association has entered into interest rate swaps with the following institutions:

| | Period Years | End Date | Rate % | Amount £'000 |
|------------|-----------------|-------------------|-----------|-----------------|
| Barclays | 25 | 20 July 2031 | 4.31 | 12,500 |
| Lloyds TSB | 15 | 13 September 2022 | 4.66 | 20,000 |
| Lloyds TSB | 19 | 26 October 2026 | 4.45 | 6,000 |
| Lloyds TSB | 22 | 20 March 2029 | 4.50 | 15,000 |
| Lloyds TSB | 25 | 21 July 2031 | 4.31 | 12,500 |
| Lloyds TSB | 25 | 27 October 2031 | 4.17 | 10,000 |
| Lloyds TSB | 25 | 12 January 2032 | 4.04 | 10,000 |
| | | | | <u>86,000</u> |

Restated

| Interest rate swap creditor profile: | 2016 £'000 | 2015 £'000 |
|--------------------------------------|---------------|---------------|
| Due within one year | 3,260 | 3,262 |
| Due between one and two years | 3,177 | 3,008 |
| Due between two and five years | 8,723 | 7,430 |
| Due after five years | 15,045 | 16,158 |
| Total | <u>30,205</u> | <u>29,858</u> |

The interest rate risk profile of loan liabilities are as follows:

| | 2016 £'000 | 2015 £'000 |
|--|----------------|----------------|
| Floating rate - average 1.05% (2015 0.84%) | 119,927 | 114,054 |
| Fixed rate - average 5.36% (2015 6.13%) | 467,039 | 442,289 |
| | <u>586,966</u> | <u>556,343</u> |

Undrawn committed borrowing facilities (all secured) at 31 March were as follows:

| | 2016 £'000 | 2015 £'000 |
|-------------------------------------|---------------|---------------|
| Expiring within one year | 67,900 | - |
| Expiring between one and two years | - | 65,900 |
| Expiring between two and five years | 13,745 | - |
| Repayable after five years | - | - |
| Total | <u>81,645</u> | <u>65,900</u> |

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

23. Deferred capital grant

| | 2016 | Restated 2015 |
|---|----------------|------------------|
| | £'000 | £'000 |
| As at 1st April | 435,148 | 438,061 |
| Grant received in the year | 216 | 3,443 |
| Grants recycled from the Recycled capital grant fund and disposal proceeds fund | 176 | 319 |
| Grants recycled to the Recycled capital grant fund | (942) | (1,765) |
| Released to income in the year | 3 | (73) |
| Amortised in the year | (4,766) | (4,491) |
| Amortised grant on disposal | 104 | 144 |
| Deferred SHG | - | 77 |
| Other | 46 | (567) |
| As at 31st March | <u>429,985</u> | <u>435,148</u> |
| | £'000 | £'000 |
| Amount due to be released < 1 year | 4,762 | 4,662 |
| Amount due to be released > 1 year | <u>425,223</u> | <u>430,486</u> |
| | <u>429,985</u> | <u>435,148</u> |

24. RCGF and DPF creditors

| | 2016 | Restated 2015 |
|---|--------------|------------------|
| | £'000 | £'000 |
| a) Recycled capital grant fund | | |
| As at 1st April | 4,952 | 3,438 |
| Inputs to reserve: | | |
| Grants recycled | 942 | 1,652 |
| Interest accrued | 20 | 20 |
| Transfers from/(to) other Group members | (1,339) | 142 |
| Utilised: | | |
| New Build | (155) | (300) |
| As at 31st March | <u>4,420</u> | <u>4,952</u> |
| Amount three years or older where repayment may be required | <u>-</u> | <u>6</u> |

Withdrawals from the recycled capital grant fund were used for the purchase and development of new housing schemes for letting.

b) Disposal proceeds fund

| | | |
|---|----------|-----------|
| As at 1st April | 21 | 40 |
| Utilised | (21) | (19) |
| As at 31st March | <u>-</u> | <u>21</u> |
| Amount three years or older where repayment may be required | <u>-</u> | <u>21</u> |

Withdrawals from the recycled capital grant fund were used for the purchase and development of new housing schemes for letting.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

| | LGPS Pension £'000 | |
|---|--------------------------|------------------|
| 25. Provision for liabilities and charges | | |
| At the start of the year 1 April 2015 | 15,343 | |
| Charged to Income and Expense | | |
| - Additions | 1,223 | |
| - Remeasurement | (4,334) | |
| Contributions Paid | (1,565) | |
| At the end of the year 31 March 2016 | <u>10,667</u> | |
| 26. Called up share capital | | Restated 2015 |
| | 2016 | 2015 |
| | £ | £ |
| Allotted, issued and fully paid | | |
| At 1 April 2015 | 5 | 5 |
| Cancelled during the year | (3) | (3) |
| Allotted during the year | <u>3</u> | <u>3</u> |
| At 31 March 2016 | <u>5</u> | <u>5</u> |
| Each Non-Executive Director of the Board and the Group Parent hold one share in the Association. The shares do not have a right to any dividend or distribution in a winding up, and are not redeemable. Each share has full voting rights. | | |
| | | Restated 2015 |
| | 2016 | 2015 |
| | £'000 | £'000 |
| 27. Reconciliation of net cashflow to movement in net funds | | |
| Increase/(Decrease) in cash and cash equivalents per cashflow | 33,780 | (10,697) |
| Increase/(Decrease) in investments | 1,414 | - |
| Revaluation of investments | (184) | 148 |
| Amortisation of loan costs | (158) | 133 |
| Increase in creditor for loan payments | 1,044 | - |
| Cash inflow from increase in debt and lease financing | (32,113) | 19,868 |
| Change in net debt resulting from cashflows | <u>3,783</u> | <u>9,452</u> |
| Actuarial deficit on pension provision | 4,676 | (2,626) |
| Amortisation of premium | 132 | (92) |
| Movement in net debt in the year | <u>8,591</u> | <u>6,734</u> |
| Net funds at 1 April 2015 | <u>(533,227)</u> | <u>(539,961)</u> |
| Net funds at 31 March 2016 | <u>(524,636)</u> | <u>(533,227)</u> |

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

28. Analysis of changes in net debt

| | At 1 April 2015 £'000 | Cashflows £'000 | Amortisation of premium/ loan costs £'000 | Revaluation of Investment £'000 | Movement In Creditors Due < 1 Year £'000 | At 31 March 2016 £'000 |
|-----------------------------------|--------------------------------|--------------------|--|---------------------------------------|---|---------------------------------|
| Cash at bank and cash equivalents | 29,938 | 33,780 | - | - | - | 63,718 |
| Short term investments | 8,413 | 1,414 | - | (184) | - | 9,643 |
| | <u>38,351</u> | <u>35,194</u> | <u>-</u> | <u>(184)</u> | <u>-</u> | <u>73,361</u> |
| Other loans: | | | | | | |
| Housing loans < 1 year | (7,425) | 7,425 | - | - | (13,355) | (13,355) |
| Housing loans > 1 year | (545,884) | (38,049) | (158) | - | 14,399 | (569,692) |
| | <u>(514,958)</u> | <u>4,570</u> | <u>(158)</u> | <u>(184)</u> | <u>1,044</u> | <u>(509,686)</u> |
| Pension liability | (15,343) | | | | 4,676 | (10,667) |
| Stock issue premium | (2,926) | (1,489) | 132 | - | - | (4,283) |
| | <u>(533,227)</u> | <u>3,081</u> | <u>(26)</u> | <u>(184)</u> | <u>5,720</u> | <u>(524,636)</u> |

29. Capital commitments

| | 2016 £'000 | Restated 2015 £'000 |
|---|---------------|---------------------------|
| Capital expenditure contracted for but not provided in the financial statements | <u>62,260</u> | <u>70,181</u> |
| Capital expenditure authorised but not yet contracted for in the financial statements | <u>46,197</u> | <u>33,192</u> |

These commitments are to be financed by the receipt of Social Housing Grant and a mixture of loan finance, reserves and proceeds from the sales of housing properties, as follows:

| | | |
|--------------------------------------|----------------|----------------|
| Social housing grant | 105 | 639 |
| Proceeds from the sale of properties | 5,284 | 22,788 |
| Loans and reserves | 103,068 | 79,946 |
| | <u>108,457</u> | <u>103,373</u> |

30. Other financial commitments

The minimum lease payments due under operating leases are as follows:

| | Land and Buildings | | Vehicles & Office Equipment | | Total Leases | |
|--------------------------------|--------------------|---------------|--------------------------------|---------------|---------------|---------------|
| | 2016 £'000 | 2015 £'000 | 2016 £'000 | 2015 £'000 | 2016 £'000 | 2015 £'000 |
| Operating Leases which expire: | | | | | | |
| Within 1 year | 131 | 61 | 506 | 80 | 637 | 141 |
| Within 2 to 5 years | 616 | 272 | 499 | 763 | 1,115 | 1,035 |
| After 5 years | 5 | 411 | - | - | 5 | 411 |
| | <u>752</u> | <u>744</u> | <u>1,005</u> | <u>843</u> | <u>1,757</u> | <u>1,587</u> |

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

| 31. Grant and financial assistance | 2016 | Restated |
|---|--------------|----------|
| | £'000 | 2015 |
| | | £'000 |

The total accumulated government grant and financial assistance received or receivable at 31 March:

| | | |
|---|-----------------------|----------------|
| Held as deferred capital grant | 429,984 | 435,148 |
| Recognised as income in statement of Comprehensive Income | 80,522 | 75,860 |
| | <u>510,506</u> | <u>511,008</u> |

| 32. Financial Instruments | 2016 | Restated |
|----------------------------------|--------------|----------|
| | £'000 | 2015 |
| | | £'000 |

The Company's financial instruments may be analysed as follows:

Financial assets

Financial assets measured at amortised cost

| | | |
|--------------------------------------|---------------|--------|
| - Rent debtors | 3,538 | 3,092 |
| - Other receivables | 25,333 | 4,774 |
| - Investments | 4,220 | 4,220 |
| - Investments in short term deposits | 9,643 | 8,413 |
| - Cash and cash equivalents | 63,717 | 29,938 |

Financial assets that are debt instruments measured at amortised cost

| | | |
|-------------------------------|-----------------------|---------------|
| - Homebuy loans | 743 | 234 |
| Total financial assets | <u>107,194</u> | <u>50,671</u> |

Financial liabilities

Financial liabilities measured at amortised cost

| | | |
|--|---------------|-------|
| - Trade creditors | 1,314 | 2,465 |
| - Other creditors | 20,952 | 6,626 |
| - Balances with Supported Housing partners | 855 | 3,122 |
| - Funds held on trust | 2,845 | 2,629 |

Financial liabilities measured at amortised cost

| | | |
|-------------------------------------|----------------|---------|
| - Loans payable (due within 1 year) | 13,355 | 7,425 |
| - Loans payable (due after 1 year) | 569,692 | 545,884 |

Financial liabilities measured at fair value through profit or loss

| | | |
|------------------------------------|-----------------------|----------------|
| - Derivative financial instruments | 30,205 | 29,858 |
| Total financial liabilities | <u>639,218</u> | <u>598,009</u> |

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

33. Sale of Properties not Developed for Outright Sale and Other Fixed Assets

| | Proceeds of Sales £'000 | Cost of Sales £'000 | Surplus £'000 | Capital grant recycled (note 24) £'000 |
|-----------------------------|-------------------------------|---------------------------|------------------|---|
| Further tranches | 3,881 | (2,829) | 1,052 | 405 |
| Right to buy | 1,447 | (1,405) | 42 | 23 |
| Right to acquire | - | - | - | - |
| Other property disposals | 6,392 | (2,543) | 3,849 | 514 |
| Other fixed asset disposals | 12 | (7) | 5 | - |
| Total 2016 | 11,732 | (6,784) | 4,948 | 942 |
| Total 2015 | 10,220 | (7,442) | 2,778 | 1,652 |

34. Related party transactions

The Association's ultimate parent undertaking and controlling party is Bromford Housing Group Limited (Registered Society Number 29996R).

The Association is a wholly owned subsidiary and advantage has been taken of the exemption provided by section 33.1A of FRS102 not to disclose related party transactions with regulated group companies (social landlords).

Copies of the Group financial statements for Bromford Housing Group Limited are available from 1 Exchange Court, Brabourne Avenue, Wolverhampton Business Park, Wolverhampton, WV10 6AU.

There were gift aid receipts in the year as follows:

| | 2016 Gift Aid Received £'000 | Restated 2015 Gift Aid Received £'000 |
|---------------------------------|---------------------------------------|---|
| Bromford Assured Homes PLC | 508 | 479 |
| Bromford Housing Group | - | - |
| Bromford Home Ownership Limited | 5,000 | 5,300 |
| Street Services Limited | 159 | 155 |
| | 5,667 | 5,934 |

Transactions with non regulated members of the group

| | £'000 | £'000 | 2016 £'000 | £'000 | £'000 |
|--------------------------------|-----------------------|-----------------------------|--------------------------|------------------|----------------------|
| Non-regulated entities: | Management Charges | Administrative Recharges | Construction Services | Rental Income | Property Purchase |
| Bromford Developments Limited | - | - | 7,686 | - | - |
| Bromford Assured Homes Limited | - | 102 | - | - | - |
| Street Services Limited | - | - | - | 178 | 130 |
| Strand Services Limited | 4 | - | - | - | - |
| Riverside Mews Limited | 1 | - | - | - | - |
| | 5 | 102 | 7,686 | 178 | 130 |

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

34. Related party transactions (cont)

| | £'000 | £'000 | 2015 £'000 | £'000 | £'000 |
|--------------------------------|-----------------------|-----------------------------|--------------------------|---------------|----------------------|
| Non-regulated entities: | Management Charges | Administrative Recharges | Construction Services | Rental Income | Property Purchase |
| Bromford Developments Limited | - | - | 7,188 | - | - |
| Bromford Assured Homes Limited | - | 95 | - | - | - |
| Street Services Limited | - | - | - | 174 | 127 |
| Strand Services Limited | 4 | - | - | - | - |
| Riverside Mews Limited | 1 | - | - | - | - |
| | <u>5</u> | <u>95</u> | <u>7,188</u> | <u>174</u> | <u>127</u> |

Administrative Recharges to Bromford Assured Homes are charged on a property number basis.

Bromford Housing Association Limited was owed the following amounts from non regulated group members:

| | 2016 £'000 | Restated 2015 £'000 |
|--------------------------------|---------------|---------------------------|
| Bromford Developments Limited | 524 | 534 |
| Bromford Assured Homes Limited | 401 | 488 |
| Street Services Limited | (47) | (46) |
| Strand Services Limited | 1 | 1 |
| Riverside Mews Limited | - | - |
| | <u>878</u> | <u>976</u> |

The subsidiaries of Bromford Housing Association Limited which are all non-regulated and incorporated under the Companies Act 1985 are:

| Trading companies: | Registrar of Co's Number | Date of Incorporation | Intergroup Arrangement | Type of Transaction |
|--|-----------------------------|--------------------------|---|--------------------------|
| Bromford Assured Homes PLC (100% owned). | 2677730 | 09-Jan-92 | BHA provides administrative services to BAH | Administrative recharges |
| Street Services Limited (100% owned). | 3711394 | 11-Feb-99 | Property management company for BHA | Rental Income |
| Riverside Mews Management Company Limited (66.7% owned). | 2953846 | 29-Jul-94 | Management company for leasehold schemes in BHA ownership | n/a |
| Strand Services (Whitchurch) Limited (75% owned). | 2645753 | 16-Sep-91 | Management company for leasehold schemes in BHA ownership | n/a |

Dormant companies:

| | | |
|---|---------|-----------|
| Bromford Carinthia Homes Limited (100% owned). | 2625632 | 01-Jul-91 |
| Queen Street Management Company (Lichfield) Limited (100% owned). | 1764379 | 25-Oct-83 |
| Project Note Limited (100% owned). | 3716147 | 19-Feb-99 |

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

35. First time adoption of FRS 102

On adoption of FRS 102 the Association has restated the comparatives, the impact on reserves is as follows:

| Association | Note | Reserves as | Surplus / | Reserves as |
|--|------|----------------|---------------|----------------|
| | | at transition | (deficit) | at |
| | | date | Year | |
| | | 01 April | 31 March | 31 March |
| | | 2014 | 2015 | 2015 |
| | | £'000 | £'000 | £'000 |
| As previously stated under former UK GAAP | | | | |
| Income and expenditure reserve | | 248,244 | 42,200 | 290,444 |
| Revaluation reserve | | 113,779 | 6,000 | 119,779 |
| Revaluation reserve - investments | | 614 | 148 | 762 |
| | | 362,637 | 48,348 | 410,985 |
| Transitional adjustments | | | | |
| Fair value adjustment for investment properties | a | - | 923 | 923 |
| Increase in amortisation of grants relating to housing properties | b | 43,791 | 4,491 | 48,282 |
| Increase in depreciation of housing properties | c | (27,236) | (3,393) | (30,629) |
| Inclusion of SHPS pension deficit payment liability | d | (12,560) | 479 | (12,081) |
| Fair value adjustment for financial instruments | e | (18,964) | (10,894) | (29,858) |
| Change to measurement of net finance cost on defined benefit pension schemes | f | - | - | 0 |
| Revaluation to fair value of fixed asset investments | g | - | - | 0 |
| Reversal of revaluation gains | h | (24,396) | (7,320) | (31,716) |
| Disposals costs adjustments | i | - | (619) | (619) |
| Increase in amortisation of grants relating to deemed costs | J | 27,723 | - | 27,723 |
| | | 350,995 | 32,015 | 383,010 |

- a. FRS102 requires that changes in the fair value of investment properties are recognised in profit or loss for the period. The effect is that the value of the market rented properties has been recognised at transition £3,300k and the movement in the year to 31 March 2015 £923k.
- b. FRS102 requires that Government capital grant previously deducted from the carrying cost of housing properties is treated as a deferred capital grant creditor and released to the statement of comprehensive income over the useful life of the associated assets. The effect compared to current UK GAAP is an increase in income recognised on transition of £43,791k, and £4,491k increase in surplus for the year ended 31 March 2015.
- c. FRS102 requires that capital grant previously deducted from the cost of fixed assets, is treated as creditors where the fixed assets are carried at cost. The effect compared to current UK GAAP is an increase to the carrying cost of housing properties resulting in an increase in the depreciation at transition of £27,236k and a decrease in the surplus for the year ended 31 March 2015 of £3993k.
- d. FRS102 requires that a liability is recognised for the contributions that arise from an agreement to fund a deficit in a multi-employer pension scheme. The effect is that a liability for the SHPS payment plan has been recognised at the present value of the contributions payable using the discount rate specified in note 37. This has resulted in a decrease in reserves of £12,560K at transition and a increase in the surplus in the year ended 31 March 2015 of £479k.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

35. First time adoption of FRS 102 (continued)

- e. Section 12 requires derivative instruments to be measured at fair value with any gains or losses going through the surplus and deficit. For the 1 April 2014 opening Statement of Financial Position, the fair value adjustment increased long term creditors by £18,964k and subsequently reducing reserves by £18,964k. For 31 March 2015 long term creditors were further increased by £10,894K with a charge to the Statement of Comprehensive income of £10,894K.
- f. FRS102 requires the recognition in profit or loss of a net interest cost (or income) on defined benefit pension schemes. This is calculated by multiplying the net pension liability (or asset) by the market yields on high quality corporate bonds. The effect of this, when compared to previous UK GAAP, has been to reduce reported profits for the year ended 31 March 2015 because previous UK GAAP led to the recognition of finance income calculated by reference to the expected returns on the pension plan's specific assets be they equities, properties or bonds. The change has had no effect on reported equity as the measurement of the net defined pension scheme liability (or asset) has not changed. Instead, the decrease in reported profit is mirrored by an increase in actuarial gains which are presented within other comprehensive income.
- g. FRS102 requires that changes in the fair value of financial instruments are recognised in profit or loss for the period. Under previous UK GAAP these changes were recognised outside of profit or loss and presented separately in a revaluation investment reserve. This change has increased reported surplus for the year ended 31 March 2015, £148k, but has not affected the measurement of cash investments on the balance sheet.
- h. On transition to FRS102 the Board has elected to measure some properties at cost which were previously measured at fair value. The effect is to reduce the revaluation reserve and the carrying amount of assets in the association.
- i. On transition to FRS102 the Board has elected to measure some properties at cost which were previously measured at fair value. This has resulted in an increase in the disposal costs of properties in the year to 31 March 2015 of £619k.
- j. Social Housing Grant can no longer be offset against housing property with fixed assets as under section 24 of FRS102 , where properties are held at deemed cost, the related social housing grant will be recognised under the performance model. At transition £27,723K was taken to reserves.

Exemptions taken on transition to FRS102:

- (1) The election to measure property at fair value deemed cost at the transition date.
Bromford Housing Association Limited and Fosseyway Housing Association Limited were amalganted on 1st April 2015. The new company is known as Bromford Housing Assocation Limited. Some assets previoulsy under Fosseyway Housing were valued at fair value, the election was taken to value some of these assets at deemed cost.

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

36. Pension obligations

Bromford Housing Association Limited participates in three schemes, the Social Housing Pension Scheme (SHPS), the Staffordshire County Council pension scheme and the Gloucestershire County Council pension scheme. All the schemes are multi-employer defined benefit schemes. Bromford Housing Association also participates in the Social Housing Pension Scheme's defined contribution scheme to meet its obligations for auto-enrolment which applied from October 2013.

Social Housing Pension Scheme (SHPS)

Bromford Housing Association Limited participates in the SHPS scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for Bromford Housing Association Limited to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore Bromford Housing Association Limited is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme. The total estimated employer debt as at 30 September 2014 is £72m.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

| | |
|---|--|
| Tier 1 | |
| From 1 April 2016 to 30 September 2020: | £40.6m per annum (payable monthly and increasing by 4.7% each year on 1 st April) |
| Tier 2 | |
| From 1 April 2016 to 30 September 2023: | £28.6m per annum (payable monthly and increasing by 4.7% each year on 1 st April) |
| Tier 3 | |
| From 1 April 2016 to 30 September 2026: | £32.7m per annum (payable monthly and increasing by 3.0% each year on 1 st April) |
| Tier 4 | |
| From 1 April 2016 to 30 September 2026: | £31.7m per annum (payable monthly and increasing by 3.0% each year on 1 st April) |

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

36. Pension obligations (Continued)

a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 and 3 deficit contributions.

Where the scheme is in deficit and Bromford Housing Association Limited has agreed to a deficit funding arrangement, a liability for this obligation has been recognised. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present values of provisions

| | 31 March 2016 | 31 March 2015 | 31 March 2014 |
|----------------------------|---------------|---------------|---------------|
| | (£000s) | (£000s) | (£000s) |
| Present value of provision | 14,560 | 11,947 | 12,422 |

Reconciliation of opening and closing provisions

| | Period Ending 31 March 2016 (£000s) | Period Ending 31 March 2015 (£000s) |
|--|---|---|
| Provision at start of period | 11,947 | 12,422 |
| Unwinding of the discount factor (interest expense) | 216 | 353 |
| Deficit contribution paid | (1,427) | (1,368) |
| Remeasurements - impact of any change in assumptions | (85) | 540 |
| Remeasurements - amendments to the contribution schedule | 3,909 | - |
| Provision at end of period | 14,560 | 11,947 |

Statement of Comprehensive Impact

| | Period Ending 31 March 2016 (£000s) | Period Ending 31 March 2015 (£000s) |
|--|---|---|
| Interest expense | 216 | 353 |
| Remeasurements – impact of any change in assumptions | (85) | 540 |
| Remeasurements – amendments to the contribution schedule | 3,909 | - |

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

36. Pension obligations (continued)

| Assumptions | 31 March 2016 % per annum | 31 March 2015 % per annum | 31 March 2014 % per annum |
|------------------|------------------------------|------------------------------|------------------------------|
| Rate of discount | 2.06 | 1.92 | 3.02 |

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

Deficit contributions schedule

| Year ending | 31 March 2016 (£000s) | 31 March 2015 (£000s) | 31 March 2014 (£000s) |
|-------------|--------------------------|--------------------------|--------------------------|
| Year 1 | 1,845 | 1,427 | 1,368 |
| Year 2 | 1,920 | 1,488 | 1,427 |
| Year 3 | 1,998 | 1,552 | 1,488 |
| Year 4 | 2,080 | 1,619 | 1,552 |
| Year 5 | 1,755 | 1,689 | 1,619 |
| Year 6 | 1,405 | 1,353 | 1,689 |
| Year 7 | 1,458 | 991 | 1,353 |
| Year 8 | 1,181 | 1,031 | 991 |
| Year 9 | 883 | 742 | 1,031 |
| Year 10 | 910 | 431 | 742 |
| Year 11 | 468 | 444 | 431 |
| Year 12 | - | 229 | 444 |
| Year 13 | - | - | 229 |

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

36. Pension obligations (continued)

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the company's balance sheet liability.

Growth Plan – BHA

Bromford Housing Association Limited participates in the Growth plan scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme. The total estimated employer debt as at 30 September 2014 is £197k.

A full actuarial valuation for the scheme was carried out at 30 September 2011. This valuation showed assets of £780m, liabilities of £928m and a deficit of £148m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

| | |
|-------------------------------------|--|
| From 1 April 2013 to 31 March 2023: | £13.9m per annum (payable monthly and increasing by 3% each on 1st April) |
|-------------------------------------|--|

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £793m, liabilities of £970m and a deficit of £177m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

| | |
|---|---|
| From 1 April 2016 to 30 September 2025: | £12,945,440 per annum (payable monthly and increasing by 3% each on 1st April) |
|---|---|

| | |
|---|---|
| From 1 April 2016 to 30 September 2028: | £54,560 per annum (payable monthly and increasing by 3% each on 1st April) |
|---|---|

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

36. Pension obligations (continued)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series one and Series two scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present values of provision

| | 31 March 2016 (£s) | 31 March 2015 (£s) | 31 March 2014 (£s) |
|--|--|--|-----------------------|
| Present value of provision | 77,170 | 131,666 | 137,993 |
| Reconciliation of opening and closing provision | | | |
| | Period Ending 31 March 2016 (£s) | Period Ending 31 March 2015 (£s) | |
| Provision at start of period | 131,666 | 137,993 | |
| Unwinding of the discount factor (interest expense) | 2,153 | 3,656 | |
| Deficit contribution paid | (15,883) | (15,420) | |
| Remeasurements - impact of any change in assumptions | (1,206) | 5,437 | |
| Remeasurements - amendments to the contribution schedule | (39,560) | - | |
| Provision at end of period | 77,170 | 131,666 | |

Statement of Comprehensive Income impact

| | Period Ending 31 March 2016 (£s) | Period Ending 31 March 2015 (£s) |
|--|--|--|
| Interest expense | 2,153 | 3,656 |
| Remeasurements – impact of any change in assumptions | (1,206) | 5,437 |
| Remeasurements – amendments to the contribution schedule | (39,560) | - |
| Contributions paid in respect of future service* | * | * |
| Costs recognised in income and expenditure account | * | * |

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016

36. Pension obligations (continued)

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes.

Assumptions

| | 31 March 2016 % per annum | 31 March 2015 % per annum | 31 March 2014 % per annum |
|------------------|------------------------------|------------------------------|------------------------------|
| Rate of discount | 2.07 | 1.74 | 2.82 |

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

Deficit contribution schedule

| Year ending | 31 March 2016 (£s) | 31 March 2015 (£s) | 31 March 2014 (£s) |
|-------------|-----------------------|-----------------------|-----------------------|
| Year 1 | 7,884 | 15,883 | 15,420 |
| Year 2 | 8,121 | 16,359 | 15,883 |
| Year 3 | 8,364 | 16,850 | 16,359 |
| Year 4 | 8,615 | 17,356 | 16,850 |
| Year 5 | 8,874 | 17,876 | 17,356 |
| Year 6 | 9,140 | 18,413 | 17,876 |
| Year 7 | 9,414 | 18,965 | 18,413 |
| Year 8 | 9,696 | 19,534 | 18,965 |
| Year 9 | 9,987 | - | 19,534 |
| Year 10 | 5,143 | - | - |
| Year 11 | - | - | - |

Bromford Housing Association Limited

Notes to the Financial Statements For the year ended 31 March 2016 36. Pension obligations (continued)

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises. It is these contributions that have been used to derive the company's balance sheet liability.

Staffordshire County Council and Gloucestershire County Council pension schemes

Both schemes are defined-benefit schemes, with the assets held in separate funds administered by Staffordshire County Council and Gloucestershire County Council.

| | Staffordshire County Council | Gloucestershire County Council |
|--|---------------------------------|-----------------------------------|
| Contributions for year ended 31 March 2016: | £'000 | £'000 |
| Employee | 108 | 42 |
| Employer | 351 | 125 |
| Employer Deficit | 301 | 778 |
| Total | 760 | 945 |
| Agreed contribution rates for future years: | % | % |
| Employee (% dependent on salary) | 5.5% - 9.9% | 5.8% - 8.5% |
| Employer | 22% | 18.8% |

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 March 2016 by a qualified independent actuary.

| | Staffordshire County Council | | Gloucestershire County Council | | |
|--|------------------------------|---------------------|--------------------------------|---------------------|---------------------|
| | At 31 March 2016 | At 31 March 2015 | At 31 March 2016 | At 31 March 2015 | At 31 March 2015 |
| Rate of increase for pensions in payment / inflation | 2.2% | 2.4% | 2.2% | 2.4% | |
| Rate of increase in salaries | 4.2% | 4.3% | 3.7% | 3.8% | |
| Discount rate for scheme liabilities | 3.5% | 3.2% | 3.5% | 3.2% | |

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2016
36. Pension obligations (continued)**

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2010 model. The model assumes that the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | Staffordshire County Council | | Gloucestershire County Council | |
|----------------------------|-------------------------------------|----------------|---------------------------------------|----------------|
| | Males | Females | Males | Females |
| Current Pensioners (years) | 22.1 | 24.3 | 22.5 | 24.6 |
| Future Pensioners (years) | 24.3 | 26.6 | 24.6 | 27.0 |

A summary of the movement in pension assets and liabilities for the Bromford Housing Association Limited's defined benefit pension funds is shown below;

| | Staffordshire County Council | Gloucestershire County Council | Total |
|---|-------------------------------------|---------------------------------------|-------------------------|
| | At 31 March 2016 | At 31 March 2016 | At 31 March 2016 |
| | £'000 | £'000 | £'000 |
| Fair value of fund assets | 16,147 | 17,704 | 33,851 |
| Present value of defined benefit obligation | (23,201) | (21,317) | (44,518) |
| Pension deficit | (7,054) | (3,613) | (10,667) |

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2016**

36. Pension obligations (continued)

| | Staffordshire County Council | Gloucestershire County Council | Total |
|--|---|---|---------------------|
| | At 31 March 2015 | At 31 March 2015 | At 31 March 2015 |
| | £'000 | £'000 | £'000 |
| Fair value of fund assets | 15,634 | 17,401 | 33,035 |
| Present value of defined benefit obligation | (24,993) | (23,385) | (48,378) |
| Pension deficit | (9,359) | (5,984) | (15,343) |

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2016
36. Pension obligations (continued)**

| Asset and liability reconciliation | Staffordshire County Council | Gloucestershire County Council | Total |
|---|---|---|-------------------------|
| | At 31 March 2016 | At 31 March 2016 | At 31 March 2016 |
| | £'000 | £'000 | £'000 |
| Reconciliation of assets | | | |
| Assets at start of period | 15,634 | 17,401 | 33,035 |
| Return on plan assets | 506 | 561 | 1,067 |
| Remeasurements | (343) | (540) | (883) |
| Employer contributions | 662 | 903 | 1,565 |
| Employee contributions | 108 | 43 | 151 |
| Benefits paid | (420) | (664) | (1,084) |
| Assets at end of period | 16,147 | 17,704 | 33,851 |
| Reconciliation of liabilities | | | |
| Liabilities at start of period | (24,993) | (23,385) | (48,378) |
| Service cost | (532) | (213) | (745) |
| Interest cost | (803) | (742) | (1,545) |
| Employee contributions | (108) | (43) | (151) |
| Remeasurements | 2,815 | 2,402 | 5,217 |
| Benefits paid | 420 | 664 | 1,084 |
| Past Service cost | - | - | - |
| Curtailments and settlements | - | - | - |
| | (23,201) | (21,317) | (44,518) |
| | (7,054) | (3,613) | (10,667) |

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2016
36. Pension obligations (continued)**

| Asset and liability reconciliation | Staffordshire County Council | Gloucestershire County Council | Total |
|--------------------------------------|---------------------------------|-----------------------------------|------------------|
| | At 31 March 2015 | At 31 March 2015 | At 31 March 2015 |
| | £'000 | £'000 | £'000 |
| Reconciliation of assets | | | |
| Assets at start of period | 13,321 | 15,029 | 28,350 |
| Return on plan assets | 579 | 649 | 1,228 |
| Remeasurements | 1,439 | 1,571 | 3,010 |
| Employer contributions | 601 | 921 | 1,522 |
| Employee contributions | 117 | 50 | 167 |
| Benefits paid | (423) | (819) | (1,242) |
| Assets at end of period | 15,634 | 17,401 | 33,035 |
| Reconciliation of liabilities | | | |
| Liabilities at start of period | (20,511) | (20,556) | (41,067) |
| Service cost | (464) | (200) | (664) |
| Interest cost | (885) | (871) | (1,756) |
| Employee contributions | (117) | (50) | (167) |
| Remeasurements | (3,439) | (2,527) | (5,966) |
| Benefits paid | 423 | 819 | 1,242 |
| Past Service cost | - | - | - |
| Curtailments and settlements | - | - | - |
| | (24,993) | (23,385) | (48,378) |
| | (9,359) | (5,984) | (15,343) |

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2016
36. Pension obligations (continued)**

| | Staffordshire County Council | Gloucestershire County Council |
|---|---|---|
| Actual return on plan scheme assets (2016) | 1.0% | 0.1% |
| Actual return on plan scheme assets (2015) | (1.5%) | (2.8%) |

| The fair value of the assets at 31 March 2016: | Staffordshire County Council | Gloucestershire County Council | Total |
|---|---|---|---------------|
| Equities | 12,110 | 12,393 | 24,503 |
| Bonds | 1,776 | 3,718 | 5,494 |
| Property | 1,454 | 1,416 | 2,870 |
| Cash | 807 | 177 | 984 |
| | 16,147 | 17,704 | 33,851 |
| The fair value of the assets at 31 March 2015: | | | |
| Equities | 11,882 | 12,877 | 24,759 |
| Bonds | 1,720 | 2,958 | 4,678 |
| Property | 1,251 | 1,218 | 2,469 |
| Cash | 782 | 348 | 1,130 |
| | 15,635 | 17,401 | 33,036 |

| Analysis of the amount charged to operating costs in the Statement of Comprehensive Income | | | |
|---|--|--|---|
| | Staffordshire County Council At 31 March 2016 £'000 | Gloucestershire County Council At 31 March 2016 £'000 | Total At 31 March 2016 £'000 |
| Employer service cost (net of employee contributions) | (532) | (213) | (745) |
| Past service cost | - | - | - |
| Total operating charge | (532) | (213) | (745) |
| Analysis of pension finance income / ((costs) | | | |
| Expected return on pension scheme assets | 506 | 561 | 1,067 |
| Interest on pension liabilities | (803) | (742) | (1,545) |
| Amounts charged/credited to financing costs | (297) | (181) | (478) |

Bromford Housing Association Limited

**Notes to the Financial Statements
For the year ended 31 March 2016
36. Pension obligations (continued)**

| Amount of gains and losses recognised in the Statement of Comprehensive Income | | | |
|---|---|---|--------------|
| | Staffordshire County Council | Gloucestershire County Council | Total |
| Actuarial gains/(losses) on pension scheme assets | (343) | (540) | (883) |
| Actuarial gains/(losses) on scheme liabilities | 2,815 | 2,402 | 5,217 |
| Actuarial gain/(loss) recognised | 2,472 | 1,862 | 4,334 |

| Movement in surplus/(deficit) during year | Staffordshire County Council At 31 March 2016 £'000 | Gloucestershire County Council At 31 March 2016 £'000 | Total At 31 March 2016 £'000 |
|---|--|--|---|
| Surplus/(deficit) in scheme at 1 April | (9,359) | (5,984) | (15,343) |
| Movement in year: | | | |
| Employer service cost (net of employee contributions) | (532) | (213) | (745) |
| Employer contributions | 662 | 903 | 1,565 |
| Past service cost | - | - | - |
| Net interest/return on assets | (297) | (181) | (478) |
| Remeasurements | 2,472 | 1,862 | 4,334 |
| (Deficit)/Surplus in scheme at 31 March | (7,054) | (3,613) | (10,667) |